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ABSTRACT

This monograph examines the impact of grants management on State education from the perspectives of public administration, public finance, governmental accounting and auditing, and intergovernmental relations. Chapter I depicts the context within which OE grants management takes place. Chapter II describes existing grants management practices and devices, and contains a limited critique thereof. Chapter III describes the State education agency, its place within a statewide educational system, and the impact that USOE grants management has on State education agency management. The final chapter reconsiders what exists, redefines grants management, and makes recommendations for its reconstitution. (RA)

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Grants Management in Education: Federal Impact on State Agencies

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Foreword

The Federal Government distributes moneys to state and local governments for many purposes and under many different authorizations. Such funding has become an integral part of our federal system. The state and local governments, faced with mounting demands for public services and resistance to increased local taxation, themselves compete for funds available, accepting whatever terms and conditions are attached. Recently many concerned people have debated on the method by which funds should be transferred, the purpose of grants, and the conditions and restraints which should govern their use.

I am one of the modern day "federalists" who believe that our federal system of government would be strengthened by increasing the ability of state and local governments to perform needed public services. The revenue superiority of the national government is an established fact. Mechanisms, then, have to be devised to increase the fiscal capabilities of state and local government. The grant is one of these established mechanisms.

It seems to me to be intrinsic to the administration of grants that they serve the basic purpose of helping the receiving government to perform better the tasks for which it has primary responsibility. The availability of grant dollars ought to strengthen, or at least not interfere with, the ability of state and local governments to respond to diverse local conditions and needs. To evaluate the effectiveness of the

grant mechanism in this respect requires that grants management be differentiated from the grants dollars. This is not an easy thing to accomplish since many recipients are not inclined to question the long-range effects of much needed immediate financial assistance.

This monograph looks critically at "grants management" in the field of education. It does not raise the questions of whether the grants are necessary, whether grant funds are useful, or whether the amounts granted are sufficient. It raises only the questions that might enable us to judge whether the Federal Government's management of the grants mechanism tends to strengthen or weaken the administrative capability of the recipient governments and their executive agencies. The conclusion which here emerges is that the recipients—the state education agencies—are not made more able or more self-sufficient by the present grants management practices and devices of the Office of Education, however much they may be aided by the grant funds.

Though the present study concentrates on education, it seems to me that the subject is much wider than the administration of education. The authors assist the reader to recognize the several types of governmental problems at issue in the intergovernmental thicket; to recognize that public purpose, public funds, public operations, and public achievement are not yet connected clearly, directly, or explicitly; and to recognize some of the changes that are needed in the arrangements within, between, and among governments in order for improvements to occur.

This monograph examines the impact of grants management on state education from several perspectives—public administration, public finance, governmental accounting and auditing, as well as intergovernmental relations. I am pleased to see the subjects thus broadly and carefully discussed and one case thus carefully dissected.

Robert E. Merriam, Chairman
Advisory Commission on
Intergovernmental Relations

Preface

Public Administration Service (PAS) first prepared this monograph as a report under the provisions of Contract No. OEC-0-70-4975 to the U.S. Office of Education (USOE), Department of Health, Education, and Welfare. The contract called for study of various aspects of "grants management" at the U.S. Office, with particular attention to the "impact" which USOE grants management behavior can be observed to have upon state education agencies. State education agencies—the state departments of education or departments of public instruction—are, of course, among the major clients of the U.S. Office and share responsibility, with USOE, for distributing federal funds to local school districts throughout the Nation.

The report's findings are based upon observations made through visits by the project staff to nine states and their state education agencies—Alabama, Florida, Georgia, Hawaii, Maryland, New York, Pennsylvania, Texas, and Washington; upon interviews with officers of USOE, HEW, and the HEW Audit Branch; and upon study of a considerable mass of documentary materials.

Dr. Laird J. Dunbar, Professional Staff Associate of PAS, conducted the study; Dr. Burton D. Friedman, a Principal Associate of PAS, wrote this report in collaboration with Dr. Dunbar. Other participants in the study included: Dr. Kent G. Alm, Executive Vice President, Mankato State College, and director of the statewide study of education in North Dakota,

1965-1967; Mr. Elliott G. Falk, Vice President, Robert Morris College, formerly director of accounting for the Commonwealths of Kentucky and Pennsylvania and executive director of the Pennsylvania Public School Building Authority; and Dr. Richard Lo Destro, then at the University of Alabama. Mr. Paul D. Eckles, Principal Associate of PAS, participated in the study and served as the project director designated by PAS during most of the contract period, succeeding Mr. Theodore Sitkoff, formerly PAS Associate Director.

Mr. Lawrence J. La Moure, Director, Program Planning and Evaluation, Bureau of Elementary and Secondary Education, served as USOE's designated project officer for the study.

Acknowledgement and thanks are extended to Mr. La Moure, his predecessor, Dr. Karl T. Hereford, and their associates in the U.S. Office of Education for the opportunity extended to Public Administration Service to conduct this study; to the many individuals in both state and federal agencies who were interviewed during its course, and especially to Dr. James A. Sensenbaugh, of Maryland, who permitted the project staff to utilize his agency as a site for testing interview techniques; and to Dr. Alm, Mr. Falk, and Dr. Lo Destro, and their respective institutions, for their participation in the study.

Beyond the staff participation identified above, this document was reviewed by several other members of the regular staff of Public Administration Service, in keeping with customary practice, and thus it is a product for which PAS assumes institutional responsibility.

H. G. POPE, *Executive Director*
Public Administration Service

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I.

The Context

This document is a report of a study conducted by Public Administration Service (PAS). The subject under study was "grants management" at USOE, with particular emphasis on the "impact" which USOE grants management may be observed to have upon state education agencies. The state departments of education or public instruction—all referred to herein as SEAs—are among USOE's major "clients" and grant recipients. A series of grants management "practices" and "devices" was identified. These are discussed in this report in terms of their impacts upon management in state education agencies.

The four chapters of this report reflect the study, the bases for thought, and conclusions which derive from the study as follows:

Chapter I contains a depiction of the context in which the Office of Education's grants management takes place.

Chapter II contains a description of existing grants management practices and devices, and a limited critique thereof.

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Chapter III contains a depiction of "the state education agency," its place within state government, its place within a statewide educational system, and the impact which USOE grants management has upon SEA management.

Chapter IV contains a reconsideration of what exists, leading to a redefinition of grants management and to recommendations for its reconstitution.

The importance of "practices and devices" is secondary to the more fundamental significance of the context in which USOE awards grants and SEAs receive them. The salient features of that context are discussed in this chapter. Briefly, those salient features are:

- Diverse views are held of the purposes which underlie the federal laws which affect education, which authorize USOE to award grants to SEAs and others, and which appropriate the funds to be granted.
- Diverse views are held of the meaning of the term "grant," and the logical consequences of each view are strikingly dissimilar.
- Diverse views are held of the mission, role, and purpose of the U.S. Office of Education.
- Diversity is a prime characteristic of the group of USOE clients called "state education agencies," so that—even if all of the several views were reconciled—the impact of USOE grants management would differ from SEA to SEA.

Views on the first three matters have not been reconciled, as a matter of fact. The Office of Education therefore is greatly handicapped from the start as it engages in grants management.

There are no fewer than three contrasting versions of the purposes and the significance of the federal government's present participation in the financing and conduct of education. Federal participation may be seen as "Federal Aid to Education," or as "The Reform of U.S. Education," or as part of "Social Reform in the United States," or as some combination of these. Each version has its own advocates and—in one place or another—each one is now serving as a basis for action.

The three versions exist simultaneously. They not only contrast, they compete. They evoke contrasting views of the proper role and mission of the U.S. Office of Education (USOE). They evoke differing definitions of the meanings and purposes of "grants management" as USOE undertakes to distribute the "grant" funds which Congress authorizes. Grants are made pursuant to the general and categorical provisions of a growing series of laws. The most notable example is the Elementary and Secondary Education Act (ESEA) of 1965, but the list of laws at issue is quite extensive.

The federal and state officials who participate in the grants management relationship, and others who observe that relationship, are of different minds regarding the meanings and purposes of the laws at issue. Furthermore, the various officials and observers are of different minds regarding the very meaning of the word "grant" and regarding the nature of the relationships which exist between USOE and any or all of the state education agencies.

Given an absence of agreement or mutual understanding on these basic aspects of the grantor/grantee question, it is predictable, of course, that any set of arrangements for grants management would prove to be unsatisfactory to some of the parties affected. It also is predictable that the "impact" of any set of grants management practices or devices would prove to be both a mixed blessing and a constant source of potential disagreement. These two predictable circumstances are confirmed in this report.

PURPOSES OF FEDERAL PARTICIPATION

Debates in 1965 over the Elementary and Secondary Education Act were conducted in the name of "Federal Aid to Education." So were earlier debates, such as those surrounding the National Defense Education Act of 1958. The belief—let this be called *Interpretation No. 1*—continues to persist that all such federal enactments constitute "Federal Aid to Education."

If they are, in fact, laws which provide for "Federal Aid to Education," questions about their administration should be clear, straightforward, and easily dealt with; under this interpretation, the usual argument runs as follows:

1. Education is run by state and local authorities.
2. The federal government, out of the goodness and wisdom of its heart, chooses to make a financial contribution to education. The contribution goes to state authorities, for them and local authorities to use in partial support of the educational programs they have established.
3. The federal contributions are to be distributed to the states and to local education authorities by "the federal education agency" known as the U.S. Office of Education (USOE).

Given this viewpoint, the pertinent questions about USOE management of those federal contributions are very few. Does USOE have an equitable basis for deciding how much to provide to each state? Does USOE forward the money with a minimum of "red tape" and inconvenience?

Many officials—at federal, state, and local units of government and of educational governance—continue to see things just this way. For them, other questions—those of USOE stipulations concerning applications, plans, and reports, for example—are extraneous questions, perhaps even intrusive or disruptive questions.

The concept "Federal Aid to Education" is challenged, however, by at least two other widely held interpretations of the significance of ESEA and related enactments by the Congress, as follow:

Interpretation No. 2. The motive behind ESEA is to achieve "The Reform of U.S. Education."

Interpretation No. 3. The motive behind ESEA is to achieve "Social Reform in the United States." The social machinery of organized education is held to be merely one of the instruments to be used for this purpose. Adjustments are required simultaneously in social arrangements regarding housing, nutrition, income, employment, transportation, civil liberties, health care, and other matters, as well as in the arrangements for "education."

For officials who hold these views, other questions—those of state and local preferences, for example—are extraneous. If the object is to "reform" an unsatisfactory set of archaic and unresponsive state and local educational structures and processes, why pretend that the intended "reformees" can be expected to manage their own reform? May it not be the case—to paraphrase Talleyrand (or Clemenceau, according to some books of quotations)—that "education is too serious a business to be left to the educators?" Further still, if the object is broad-gauged social change, why pretend that "educators"—whether employed by local, state, or federal government—can be expected to make the necessary choices even regarding their own portions of the total social machinery?

Sources of Ambiguity

There are players, referees, and fans in the "game" of federal grants for education. They are not all in agreement, evidently, on the name of the game nor on its rules. As long as the name and rules of the game remain uncertain and ambiguous,

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misunderstandings are inevitable and alleged "violations" are predictable. The "players" include officials of USOE, state education agencies, and local school districts. The "referees" include legislators—in the Congress and in the state legislatures—as well as auditors and evaluators of the General Accounting Office, the Department of Health, Education, and Welfare Audit Branch, and state and local governments. The "fans" include not only the average citizen or school employee, but also the many special interest groups that perceive themselves to have a stake in the matter.

Public Administration Service accordingly offers the following basic finding derived from the present study:

USOE management of grant funds—utilizing whatever set of "grants management practices and devices" the Office may select—inevitably will have "impacts" upon the state education agencies which receive those funds. Those impacts will be accidental and potential sources of acrimony for as long as it remains uncertain and ambiguous whether (or to what extent) the funds thus granted constitute "Federal Aid to Education," efforts to achieve "The Reform of U.S. Education," or efforts to utilize education to achieve "Social Reform in the United States."

A parallel observation is offered: that the uncertainty and ambiguity should eventually be eliminated.

Public Administration Service offers a second basic finding, as follows:

The role or mission or purposes of the U.S. Office of Education, more than a century after its establishment, remain matters of uncertainty and ambiguity. This is a consideration separate and apart from the question of whether aid to education, reform of education, or broad social reform is at issue. Uncertainty as to the USOE mission in public life is increased, however, and its

significance is heightened, by the still uncrystallized meaning of laws such as ESEA and by the still unanswered underlying question whether they are "aid" or "reform" measures.

A parallel observation is offered: that the desired role, mission, and purposes of the Office of Education also will have to become better defined. This matter merits careful consideration, with attention to the possible or predictable consequences of several plausible alternative definitions.

Need to Reduce Ambiguity

With impetus in one direction, for example, the future U.S. Office of Education could come to bear a marked resemblance to a national ministry of education in charge of a nationwide system of education. Other directions are equally plausible and perhaps more palatable to American tastes.

Given a different sort of impetus, for example, the future USOE would study and advise on matters of national educational needs and inform Congress on progress toward the satisfaction of these needs. Given further impetus in the direction of state and federal cooperation (such as recent efforts by the joint federal/state "Belmont" task force regarding work in evaluation), the future USOE could come to be a prompter, facilitator, and participator in a variety of constructive federal/state or federal/state/local joint initiatives in education.

The matter of the desired role, mission, and purpose of USOE is of sufficient importance that its resolution ought not be left to chance. The question should be raised explicitly and answered with as much clarity and preciseness as can be achieved. Congress has not been oblivious to this matter, by any means. Provisions in ESEA bear upon it. So does the General Education Provisions Act, for example, and the Senate Report on the latter Act demonstrates that the Congress is sensitive to such matters, has taken steps to treat such matters, and clearly intends to give further attention to the subject.

POTENTIAL FOR DIFFICULTIES

These two basic findings—uncertainty as to the purpose of the relevant federal legislation, and uncertainty as to the role or mission of USOE—have a pervasive effect upon the institutional behavior of USOE, of federal auditing units, and of state education agencies. In each setting, officials hold diverse views and understandings of the significance of the legislation (and the moneys made available pursuant to such legislation) and as to the significance of USOE. In each setting, officials take actions which reflect their beliefs. Inevitably, the several actions—in common with the underlying beliefs—compete or conflict, sometimes acrimoniously.

Some comparatively old-fashioned but still valid concepts of management, government, and intergovernmental relationships are at issue in these affairs. It is an axiom of public management that “responsibility and authority must be commensurate.” A corollary to that axiom is that it must be clearly understood “Who can hold whom accountable for what.” A public agency or official may be held accountable for the fulfillment of the responsibilities assigned, for the exercise of the authority wielded, and for performance. If everyone is responsible, no one is responsible, hence no one is accountable. Where there is ambiguity or uncertainty regarding purpose, as well as in the allocation of responsibilities and authority, answers are obscure to the question, “Who can hold whom accountable for what?”

The intergovernmental and interagency character of the matter at issue adds a further dimension to the difficulties inherent in matching responsibility, authority, and accountability. If a single agency is clearly in charge of a matter, its internal arrangements for distributing responsibility or authority are of scant concern to outsiders. With respect to the agency’s performance in treating the matter assigned, the agency and its top management clearly can be held accountable.

When a matter resides between and among governments and governmental agencies, however, it may not be at all clear "Who's in charge?" A second trio of old-fashioned concepts becomes significant: these are the concepts of propriety and protocol, together with their scrupulous observance or "punctilio." When the limits of responsibility and authority are clear, the "proprieties" of intergovernmental and interagency relationships soon become clear, protocol soon becomes established, and the stage is set for all parties concerned to observe the "niceties" of those relationships scrupulously, without great effort. Acrimony is minimized.

In the case under study, Public Administration Service observes: that responsibilities and authority of governments and public agencies are diversely understood, partly because they are not well defined; that accountability is therefore extremely difficult to pinpoint; that the proprieties are unrecognized; that protocol is in major respects unknown; and that the officers and staff of the several governments and governmental agencies are scarcely punctilious in their relationships.

In fairness to the Congress, where the several laws at issue were enacted, these several manifestations of obscurity and poor understanding do not necessarily stem exclusively from an absence of legislative definition and precision. They stem also from the backgrounds shared by many principal officials and staff members of USOE and of state education agencies. Drawn from within the educational establishment, more particularly from within public school systems, they often regard themselves still as members of the "education profession." Some remain largely oblivious to the significance of the fact that they now are engaged in government and in public management, not only in education. In so perceiving themselves, they are not always fully aware that they represent separate governments and separately managed governmental agencies. Acts of Congress are not fully definitive regarding questions of purpose, responsibility, authority, and accountability; this is not always accidental. Fuzziness in these matters is increased, however, by

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what may be either a disinclination on the part of educators to seek clarification or a lack of awareness by educators that such clarification would be constructive.

The U.S. Office of Education is an executive agency of the federal government, created pursuant to authorization by the Congress, and managed as part of the Department of Health, Education, and Welfare, under the general direction of the President as chief executive of the federal government. Each state education agency is similarly authorized, managed, and directed, but the authorization stems from action by a state legislature and the direction flows from a state's governor. Whatever may be the obligations and prerogatives of each government as these are stipulated in or derived from the U.S. Constitution and the respective states' constitutions, the "federal education agency" and the state education agencies serve different masters and, organizationally, are distinctly separate entities. As parts of separate organizational structures, neither is subordinate to the other, neither receives direction from the other, and presumably each deals with the other as a peer. Failure to comprehend these fundamentals can lead to wide-ranging misunderstandings on a variety of details.

The Meaning of "Grant"

These fundamentals of intergovernmental and interagency relationships, as well as basic questions of responsibility, authority, and accountability, all are at issue in the apparently innocent question, "What is a grant?" Remarkably, this key word is subject to diverse understandings. These understandings compete and conflict, and they underlie some of the problems encountered in grants administration.

In normal use, a "grant" is simply a gift, and a "grant-in-aid" is a grant made specifically from a central government to a local government, whether from national to state or from state to local. Quite a long tradition and quite a long legal history support the view that "grant" or "grant-in-aid" may be understood properly to mean a gift from

the U.S. Government to a state government. Dictionaries confirm these meanings.

"A grant is an award of monies to be held in trust by the grantee and to be used for purposes set forth in a written agreement executed by the grants officer to carry out specified Office of Education projects, services or activities."

"Contract and Grant Management Team Handbook," USOE, June 26, 1970, p. 13.

grant n 1: the act of granting 2: something granted; esp: a gift for a particular purpose 3a: a transfer of property by deed or writing b: the instrument by which such a transfer is made . . .

grant-in-aid n 1: a grant or subsidy from public funds paid by a central to a local government in aid of a public undertaking

Merriam-Webster, Webster's Seventh New Collegiate Dictionary.

If a grant is a gift, the *recipient* may assume—correctly and legitimately—that the grant is his to use in support of *his* activities, in the conduct of *his* program of operations. If a grant carries conditions, the recipient may make precisely the same assumptions, provided only that he meet the specified conditions: that is, the grant is his to use in support only of *stipulated aspects* of his activities and in the conduct only of *stipulated portions* of his program of operations; but still *his* activities, *his* programs, *his* operations.

Some state education agencies are unconcerned about the meaning of the term "grant." However, some SEAs both tend to assume and prefer to believe that these dictionary definitions are still valid. If they are valid, grant funds received from the U.S. Treasury via the USOE—categorical limitations and other conditions notwithstanding—may be regarded properly as

becoming state funds for state use in support of state endeavors in education, *provided*, of course, that all conditions are met and all restrictions or limitations are observed. With this as a starting point, a state education agency is in a position to be quite clear about its duties and its relationships: it can be clear about the nature and extent of its responsibilities and authority; and it need have no doubt about to whom it is accountable. It can accept responsibility, exercise authority, and meet state government's demand that it be accountable for its actions.

The U.S. Office of Education defines "grant" differently. Not surprisingly, it therefore tends to see—although its principal officers do not necessarily *prefer* to see—things differently. According to USOE, "A grant is an award of monies . . . to carry out specified *Office of Education projects, services or activities*" (emphasis added).

With this USOE definition as a starting point, USOE personnel can be quite as clear about relationships as the more traditional definition permits SEA personnel to be. The two starting points are so markedly different, however, that disagreement and misunderstanding are probably inevitable. Consider the USOE's definition of a grant: it says explicitly that the grant proceeds are for use in carrying out "Office of Education projects, services or activities"; it does not say anything about using funds provided via USOE to carry out "state and local projects, services and activities." It suggests, at least, that any lawful use of a grant made via USOE must be in the conduct of a "USOE project, service or activity." It suggests, at least, that any grantee who utilizes such funds is performing "USOE's work" and is acting as an agent of the Office of Education.

A basis for disagreement and misunderstanding certainly is present. One understanding of the key term "grant" permits and requires that state education agencies perceive themselves to be departments of state government engaged in performing state work. The other understanding of the same term permits USOE to regard those agencies as USOE's agents or contractors

engaged in performing USOE work. Some support for either view can be found within USOE, which is far from monolithic in its own staff's understanding of such matters. Similarly, some support for either view can be found within some SEAs. And, inevitably, in USOE and in some SEAs, persons can be found who can see no difference between the two definitions. The basic divergence of meaning as to the term "grant" nevertheless constitutes a source of disagreement, grievance, and difficulty. As long as that source of difficulty exists, matters of responsibility, authority, and accountability will remain clouded. And, as long as it exists, it is predictable that *any* "USOE grants management practice or device" will have an impact which is in significant measure disadvantageous.

Bounds of Responsibility

Public education has been understood to be a constitutional obligation of the state governments. This understanding is supported both by the silence of the U.S. Constitution and by the comparative clarity of state constitutions on this subject. One state constitution, for example, asserts in explicit and strong terms that to provide "ample" education for "all" is a "paramount" responsibility of the state. The U.S. Constitution, on the other hand, makes no direct reference to education. This has encouraged the inference that the powers reserved to the states include those which affect governmental authority over education.

A long history of practice rests on these understandings and on their logical consequences, which are seen in each state's programs, structural arrangements, and financial provisions for its statewide educational system. The question now arises: to what extent, if any, do federal laws and grant provisions serve to transfer the basic obligation for education from the shoulders of state governments to those of the federal government? Is the phrasing in USOE's definition of "grant" correct and significant, or is it an accidental aberration? When state education agencies and local school districts make use of the

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proceeds of a federal grant, are they doing their own work, or are they really carrying out USOE's work in the form of "Office of Education projects, services or activities"?

"There shall be . . . a bureau called the Office of Education, the purpose and duties of which shall be to collect statistics and facts showing the condition and progress of education in the several States and Territories, and to diffuse such information respecting the organization and management of schools and school systems, and methods of teaching, as shall aid the people of the United States in the establishment and maintenance of efficient school systems, and otherwise promote the cause of education throughout the country."

Act of March 2, 1867 (14 Stat 434, 20 U.S.C.1). Emphasis added.

"Indeed, over this past weekend 42 of us from the Office of Education, reinforced by two or three companions from the Office of Management and Budget, and from the Department Planning and Evaluation Office, disappeared for 3 days over at Airlie House near Warrenton, Va. We spent 3 days knocking our heads, soul searching, and indeed rising above our differences, and becoming, I believe, a remarkable gathering of men and women, realigning our sights and lowering our differences, and establishing the major goals for education in these United States over the next 2 to 5 years."

Dr. Sidney P. Marland, Jr., testifying before a Subcommittee of the Committee on Appropriations on February 18, 1971. See *Office of Education and Related Agencies Appropriations for 1972* (USGPO, Washington, 1971). Part I, pg. 52. Emphasis added.

Obviously, the federal government's attention to education and support for education have increased during recent years. This is a renewed interest, of course, because a federal concern for education dates back at least to the Northwest Ordinance of 1787 (antedating the Constitution), the Morrill Act of 1862, the creation of USOE in 1867, and to other measures that came well before "Sputnik's act of 1957" helped to stimulate the more recent federal legislation.

The recent federal laws have served two purposes: they stipulate that certain policies are to be observed nationwide in education; and they supply financial resources which are to be utilized in giving effect to these policies. At the very least, therefore, the nationwide policies may be understood to establish certain conditions which each state government is constrained to observe as it establishes its own policies, priorities, standards, criteria, and institutional arrangements for the conduct of education. The nationwide policies thus established by the Congress are expressed in laws enacted pursuant to the U.S. Constitution, hence they become parts of "the supreme law of the land." Such law is binding upon each state, just as it is for each citizen. Hence the national policies are to be incorporated into or encompassed by the policies of each state government.

It is not at all clear, however, that the federal laws are intended to go any further than that. These national policies do not necessarily reduce each state's obligations for education. It is not at all clear that they transfer the (inferential) constitutional obligation from state to federal government. It is at least as reasonable to conclude that they are intended *to supplement but not to supplant* state policies, just as federal funds very explicitly are intended by the Congress to "supplement" but not to "supplant" state and local funds for education. Therefore the laws enacted by Congress need not be construed to erase each state's prior obligations for education, and they appear not necessarily to alter what hitherto had been taken to be fact: that something akin to the assurance of

"ample education for all" really is a "paramount responsibility" or commitment of the government of each state in the Union.

The federal laws may be interpreted as having two basic effects: (1) they establish some policy parameters which the states must observe; and (2) they provide some supplementary funds for the states to use in the conduct of their educational endeavors, the availability of such funds being conditional, of course, on the proviso that the stipulated national policies are given effect.

If this is the meaning intended by Congress, it would appear that USOE's definition of "grant" is unfortunately phrased. If amended accordingly, it might state that "a grant is . . . to carry out *the grant recipient's projects, services or activities*, as stipulated in the agreement," instead of ". . . to carry out Office of Education projects, services or activities."

The change in wording is small and simple. The logical consequences of selecting one or the other definition of the key word "grant" can be enormous, however. If a grant is a gift for use in conducting the recipient's work (no matter how restricted by stipulated conditions), the recipient or grantee can be held fully accountable for the selection, conduct, and performance of those educational operations in which grant proceeds are utilized. When a state government is the recipient and a state education agency makes use of the grant proceeds, it is clear under this traditional definition that the SEA is accountable to its parent state government for all aspects of its management, its performance of assigned duties, and the results achieved; for its stewardship of public funds entrusted to it; and for its observance of established laws and policies.

On the other hand, if a grant is for use *in conducting USOE's work*, this clarity is lost. If the work at issue is USOE's, USOE has the right (authority) and the obligation (responsibility) to "call the shots," that is, to select the projects, to define the services, and to design the activities. For all practical purposes, a grant becomes a contract under this arrangement; and a grantee becomes either a contractor,

"Mr. Casey. Now these schools that are not furnishing lunch to children who have no lunch, what effort is being made *to compel them* to do it? . . . You are using and have used in the past withholding of funds *to compel other things to be done*. So why can't we use the same ax to see that these kids are fed?

"Dr. Marland. I would welcome such an opportunity, sir."

Ibid., p. 137. Emphasis added.

"If the activities proposed by a State in its plan do not show the innovation required by law, the Commissioner should approve only those activities which *meet federal standards* under the partial approval authority."

Senate Report 91-634, printed in *U.S. Code Congressional and Administrative News*, No. 4, May 5, 1970, p. 911. Emphasis added.

"PROHIBITION AGAINST FEDERAL CONTROL OF EDUCATION

"Sec. 422. No provision of the Act of September 30, 1950, Public Law 874, Eighty-first Congress; the National Defense Education Act of 1958; the Act of September 23, 1950, Public Law 815, Eighty-first Congress; the Higher Education Facilities Act of 1963; the Elementary and Secondary Education Act of 1965; the Higher Education Act of 1965; the International Education Act of 1966; or the Vocational Education Act of 1963 shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution, school, or school system, or over the selection of library resources, textbooks, or other printed or published instructional materials by any educational institution or school system, or to require the assignment or transportation of students or teachers in order to overcome racial imbalance."

Public Law 91-230, April 13, 1970.

required only to do what he has agreed to, or an agent, permitted to do only the bidding of his principal. A grant recipient therefore—in common with any other contractor or agent—has a right to renounce major shares of responsibility and authority, and is entitled to decline to be held accountable in some basic respects. If a state education agency, for example, cannot choose the projects, design the activities, or define the services to be carried out with proceeds of federal grants, the SEA obviously can decline to be held accountable for the outcomes of statewide educational endeavors. Follow this chain of reasoning to its logical conclusion, and it would appear that USOE ultimately becomes accountable for controlling and directing the nationwide network of educational agencies and institutions, and it would appear that SEAs and local school districts which utilize federal funds ultimately become USOE's branches and substations, accountable only for following orders.

The old maxim says that he who pays the piper calls the tune. In the nationwide educational endeavor, federal funds amount to perhaps 7 percent of the total. It is a fair question whether a 7 percent supplement to a 93 percent base should authorize USOE to call very much of the tune or to have a major part in selecting the orchestration. If full or partial federal financing of an educational project, service, or activity makes it "USOE's" project, service, or activity, that fact sets USOE well along a road which would turn it into a national ministry of education.

It would be absurd to assert in this report that USOE has any aspiration whatsoever to become a ministry of education or to state that the legislative or executive branches of the federal government wish USOE to become an agency that might fairly be so described.

No such assertion is intended in this report.

However, a great national concern for education is being expressed. The federal government—including Congress and USOE—joins those who express it. The several components of

the federal government also display a great proprietary interest in the use of federal funds related to educational matters. Some statements on the subject by federal officials, as well as attitudes which are held and acted upon by some USOE staff members, express so great a concern for educational matters and for those federal funds that—perhaps inevitably although unintentionally—they invite the impression that USOE or Congress or others perceive USOE to be truly “in charge” of a nationwide educational system.

Thus the apparently simple question of how to define “grants” goes to the heart of the relationships between federal, state, and local governments and authorities with respect to the direction and conduct of education. Which government shall be in charge of what? Which governmental agency shall be in charge of what? Who is to call the shots? Who is to be held accountable by whom and for what?

The “impact of USOE grants management” is the topic at issue in this report. One fact is readily observable: *any suggestion that USOE is in charge of education nationwide has an impact*, especially on those USOE clients called state education agencies. The suggestion that USOE is “in charge” is implicit in some USOE behavior patterns, in some of USOE’s grants management practices and devices, and—as just shown at some length—in USOE’s definition of the central term “grant.” *The impact is not constructive.*

SEAs: A DIVERSE SET OF USOE CLIENTS

Several years ago, in *The Lonely Crowd*, David Riesman observed that some people are “inner-directed,” some are “tradition-directed,” and still others are “other-directed.” A similar observation may be made with respect to state education agencies. In three stereotypes described below, Riesman’s observation is borrowed to suggest that the weight of the “impact” of USOE grants management upon an agency may

depend upon the characteristics of the SEA, not merely upon the actions of USOE. The stereotypes are overdrawn, to be sure, and it may be that no SEA is accurately or fairly described.

Some agencies appear to be tradition-directed or tradition-bound. They do what they do in the way that they do "because that is the way it has always been done." This proves to their satisfaction that it should be done that way forevermore. Federal grants and USOE behavior notwithstanding, such agencies continue to do precisely what they have been doing. In addition, they may do whatever appears to be required of them in the way of compliance with federal stipulations. To do so, they simply create new organizational units with new people. The "state" parts of the state education agency continue to go their own traditional way, and the "federal" parts of the agency comply with whatever untraditional "add-on" items may be deemed necessary. Superficially, there is evidence—in the form of new organizational units and new staff members—to suggest that impact has been substantial. However, it seems likely that such signs go only skin deep: cut off the federal moneys, and the "federal" appendages will atrophy and drop off, leaving little if any trace, as the tradition-directed agency goes on its way.

Some state education agencies appear to be other-directed; they seem willing to abide by the views of others, notably by the views of USOE personnel or—more likely—by the views which their own personnel attribute to the personnel at USOE. The institutional behavior of such agencies (and this apparent condemnation is deliberately overstated) cannot fairly be described as reasoned behavior, nor even as a display of conscious and deliberate "followership." It is imitative behavior. It is acquiescence. Again, in a superficial sense, the impact upon such agencies of grants management by USOE may appear to be great. Where the impact is made evident only in *pro forma* alterations of a cosmetic variety, however, it is highly unlikely that anything is really changed.

Other state education agencies appear to be inner-directed.

These agencies seem to have reasonably clear understandings of their own missions within state government and with respect to their statewide systems of education; they seem to have reasonably clear understandings of the roles which they must play. At such an agency, the SEA's own sense of direction and its own deliberately developed preferences absorb the impact of grants management by USOE, cushioning the agency, filtering the influences and initiatives of USOE behavior through the state agency's own ideas, and assimilating into the agency's operations those selected items which are deemed to be useful and constructive. In these agencies, the impact of USOE behavior—ironically—may appear to be superficial or negligible, because the influence of USOE preferences (whether expressed or imagined) is not immediately visible in SEA organizational arrangements, staffing patterns, or institutional behavior. Because the inner-directed state education agency is alive and alert, however, the behaviors and initiatives of USOE constitute a steady—if sometimes irritating—set of stimuli; and its own willingness to respond to those stimuli helps the state agency keep itself trim and fit.

SUMMARY OF THE CONTEXT

The foregoing discussion centers on matters basic to the context in which grants management takes place, rather than on the mechanics involved. Attention to various details of the mechanics, to the variety of grants management practices and devices, will be seen in subsequent sections of this document. The discussion of "context" may be summarized as follows.

1. Grants management is performed in an atmosphere of ambiguity and uncertainty which is profound but too often unrecognized. What are the federal laws and grants for? If the answer is "Federal Aid to Education," one set of grants management behaviors is indicated. To whatever extent the answer is "The Reform of U.S. Education" or "Social Reform

in the United States," however, other and different grants management behaviors would be necessary and proper. Grants management behaviors now are diverse and inconsistent, simply because they stem from several coexisting assumptions regarding the purposes for which grants are made.

2. Grants are administered by the U.S. Office of Education. Uncertainty and ambiguity surround the question: What is the role or mission or purpose of the Office of Education? Creation of the Office was authorized by Congress in 1867. A century later, that question in important respects remains unanswered, creating a second source of uncertainty and ambiguity.

3. The placement of responsibility and authority for various aspects of education is diffuse, making it difficult to seek or exact accountability. The question "Who can hold whom accountable for what?" is virtually without answer. The meaning of the term "grant" is unclear. It is unclear which government—federal, state, or local—shall be expected to perform which deed. Within one government, it often is unclear which agency shall be expected to perform which deed. The conduct of education is multigovernmental. Arrangements for grants in education take place within an intergovernmental and interagency setting. Lack of clarity is a major source of difficulties, naturally enough, between and among governments and governmental agencies.

4. Education agencies of the federal and state governments—USOE and SEAs—are special-purpose agencies. They tend to be staffed and administered by specialized persons who are "educators," that is, by persons who have been prepared as and who perceive themselves first as "professionals in education" or even as members of the "teaching profession." They tend not always to see themselves as managers or as public officials engaged in public administration. (The phenomenon is not limited to education, but has been noted also in other similarly specialized governmental units.) In specialized settings, questions of the proprieties and protocols of intergovernmental

and interagency relationships sometimes tend to be shunted aside, and such relationships tend not to be characterized by the scrupulous, punctilious observance of proprieties. This constitutes a further source for difficulties between and among governments and governmental agencies in connection with the arrangements that surround grants.

5. The U.S. Office of Education is the federal education agency. Each state government has established a state education agency. The federal and state education agencies are integral parts—and traditionally have perceived themselves as such—of the nationwide system of education in the United States. To whatever extent it is correct to assert that federal grants for education are designed to achieve “The Reform of U.S. Education” or to achieve still further-reaching “Social Reform in the United States,” the federal and state education agencies therefore must be regarded as among the *targets* of reform efforts, because they are integral parts of the social machinery of education. If they are targets of reform, obviously, they will be severely tested by the need to reform themselves and—at the same time—to serve as efficacious instruments for bringing about reform elsewhere and for designing the reform that is to be achieved.

6. Given these several considerations that color the general topic of grants management, Public Administration Service has appraised the impact which USOE grants management can be deemed to have had upon state education agencies. In all cases, the impact is important, if for no reason other than that each state education agency accurately perceives the U.S. Office as a major factor to be reckoned with.

If a state education agency is basically weak—in terms of its sense of direction, sense of purpose, and management capability—the impact of USOE grants management behavior is very evident. The “other-directed” agency follows the lead of USOE, either as that lead is expressed by USOE personnel or as the SEA interprets USOE preferences. It may become more or less a copy of the Office of Education and, more important in

some crucial respects, even subservient to the Office. The judgment whether that is good or bad, perhaps, should be deferred until it is made clear to what extent it is intended that USOE shall be in charge of a nationwide educational system. The other-directedness of state education agencies does not now appear to be constructive, however.

If a state education agency is basically quite strong, but tradition-directed, the impact of USOE grants management behavior is very evident, but it is manifested quite differently. The tradition-directed SEA does not follow the lead of USOE in any true sense. It merely does whatever it believes that it has to do, with respect to the further use or distribution of funds received in the form of federal grants. Inasmuch as those grants represent perhaps 7 percent of the total expenditure for education, therefore, USOE grants management may have great influence on the tradition-directed SEA but only *with respect to that SEA's attention to the federally financed 7 percent of education*. The impact, in other respects, may be negligible. Whether to adjudge this fact good or bad, once again, depends on clarification of the purposes of SEAs, USOE, and federal involvements in education. In one respect, at least, the fact can be adjudged "bad": a state education agency is supposed to be one internally consistent department of a state government; to whatever extent USOE grants management has the effect of dividing it into two quite separate segments—one "state" segment, one "federal"—under one organizational umbrella, that effect may be adjudged neither constructive nor desirable.

The "inner-directed" state education agency may be idealized as follows: it knows to which government it pertains; it has a sense of mission, purpose, role, and direction; it is not excessively bound to tradition; and it is not excessively responsive or subservient to the U.S. Office of Education. Even within the limited sample of SEAs visited during this study, it is clear that some state education agencies fit quite well into the inner-directed category. USOE grants management has an impact on such agencies. Signs of that impact are not

necessarily visible on the surface, however, because the USOE influence—together with other external influences—is absorbed, digested, assimilated by the state agency. The impact, therefore, is constructive or not, and is a good influence or a bad one, in proportion to the essential characteristics of management's capability within the state education agency. Whether grants management behavior at USOE is good or bad, the effects of USOE's grants management upon the inner-directed state education agency are determined by the SEA, not by the presence or actions of the U.S. Office of Education.

Up to this point, this report contains a depiction of the context in which the U.S. Office engages in grants management, based on interpretation of many events, facts, and observations. The context is characterized by several basic ambiguities and uncertainties. The use of this context as a frame of reference is absolutely essential to a valid understanding of the various practices or devices utilized by USOE in grants management, and to a judgment of their impact upon state education agencies.

II.

USOE and Educational Grants Management

The subject under consideration is the impact of USOE grants management on SEAs. To examine the *impact*, it is proper to look into any and all aspects of the state education agency. To examine the *sources* of the impact, however, it is necessary to look only into selected aspects of USOE operations, not all of which, by any means, can be brought under the umbrella of "grants management." Grants management is among USOE's major sets of duties and activities, but is not the only major set. SEAs are among USOE's major clients and grantees, but are not the only ones. The following, accordingly, is not a comprehensive description and analysis of what occurs "inside USOE." Insofar as this monograph represents an examination of USOE, therefore, the discussion in Chapter II is limited to those aspects of USOE which are pertinent to grants management and to USOE/SEA relationships. (Chapter III, in contrast, contains a discussion of SEAs and is of considerably broader scope and greater depth regarding the mission, functions, and processes, and regarding the management, performance, and achievement of state education agencies.)

At this point, attention is addressed to the U.S. Office of Education itself (within the constraints noted above) and to the devices or practices utilized by the Office in carrying out grants management. Allusions to these "devices or practices" will be

frequent in Chapter III, where their effects on SEAs are examined. In this chapter, the devices or practices themselves are examined, both more closely and from a stance more appropriate to USOE.

The difference between the two vantage points—USOE and SEA—is substantial and significant. USOE has some responsibilities assigned to it, and USOE undertakes to meet them. The devices and practices of grants management are designed fundamentally to enable the Office of Education to perform its work, in fulfillment of its responsibilities, on behalf of its parent government—the U.S. Government. To do its work, USOE needs information, assistance, cooperation, and so forth, which can be supplied only by those “clients” who are among its grantees—notably, by the state education agencies. An SEA, in turn, acknowledges that its status as a grant recipient places it unmistakably under a binding obligation to respond to all reasonable requests from USOE.

But “there’s the rub!” An SEA may have quite a different view than USOE’s as to what constitutes “reasonable” requests, because an SEA may hold to a different set of premises than USOE’s regarding the proper limits of “USOE grants management.” The divergence in basic premises is part of the context depicted in Chapter I: Are federal grants “aid to education” or something else? Which parts of the work involved in awarding, receiving, and using grants are “USOE’s work” and which parts are “SEA work?” When an SEA uses a grant dollar—and here the meanings of the term “grant” are at issue—is the SEA “carrying out Office of Education projects, services or activities” or is it really carrying out its own? Is the use of the grant part of the work of the federal government, or is it part of the work of state government? If it is a little of each—as the motives of “aid” and “reform” might suggest—where is the line between them? What are the prerogatives of USOE and the SEA, respectively? When, if ever, is an SEA “administering a federal program,” and when is the SEA “using federal and state funds to carry out the state’s program?”

The causes for ambiguity and uncertainty have been set forth in Chapter I. They are well worth keeping in mind here, as USOE grants management practices and devices are examined.

THE GRANTS MANAGEMENT CYCLE

Congress authorizes federal funds for USOE to award to state governments for use or for further distribution by state education agencies. The authorizations are varied, ranging from general to categorical as to permissible use, being more and less explicit regarding allocations to the several recipients and more and less generous in the degrees of discretion permitted to the Commissioner of Education and to the grantees. Congress also appropriates funds, pursuant to the various authorizations, in amounts which may vary from those authorized. The legislation is of varying specificity with respect to how and whether applications shall be submitted and dealt with, how and whether reports are to be required, and other matters. Dates, methods, terminology, and so forth are not consistent, but efforts are being made toward uniformity in these respects, as evidenced in the General Education Provisions Act.

USOE must accomplish the distribution of grant funds efficaciously and in accordance with the several and varied congressional enactments. In one sense, a grants management "cycle" begins when those enactments are complete and the funds become available, and it ends when the last dollar granted has been spent, reported on, and audited. In a different sense, of course, insofar as USOE's work is concerned, USOE participation begins much earlier: to some indeterminate extent, Congress acts on the basis of USOE's information on the condition of education, the needs in education, approaches worth taking in education, research findings in education, and so forth; every activity of USOE, in some measure, can be regarded as a part of grants management.

"Grants management" is interpreted fairly broadly, for

purposes of the present study, but not so broadly as to incorporate all of the Office of Education's activities. A very narrow definition would include only those actions and events which occur between the time a grant is awarded and the date of final expenditure. The more moderate view taken in this chapter construes grants management to include the relatively broad range of practices, devices, and institutional arrangements which surround the award of a grant, through the period of use of the grant, up to and including the audit of grant funds. Thus construed, attention to grants management permits attention to: salient characteristics of laws; regulations, rules, and guidelines; organizational and procedural arrangements within USOE; forms and procedures which grantees are required to observe or utilize in preparing applications, assurances, and reports; USOE arrangements for reviewing applications, making awards, monitoring grantees, and providing technical assistance to grantees regarding the administration of grant funds; regulating the availability of cash; and matters of evaluation and audit.

Some of these items are entirely internal to USOE. A few are central to USOE's relationships through channels with Congress. Some relate USOE to HEW, the HEW Audit Branch, or the General Accounting Office. Several of the items are shared, as it were, between USOE and the SEAs in their roles both as grant recipients and as second-stage redistributors of grant funds. The SEAs play dual roles, of course, because some federal funds are grants for SEA internal operation, but most flow through the SEAs to local school districts and other recipients.

The various practices or devices of grants management may be variously classified. For purposes of this discussion, however, it seems most convenient to group them in terms of the times at which they come into play. The first group includes practices applicable before the grant is awarded. The second applies during the life of the grant, from award through the last expenditure. And the third group becomes applicable after the grant's "life" is over.

Pre-Award Grants Management Practices

Those portions of the laws which establish general eligibility for grants and which stipulate the purposes for and the conditions under which grants will be made are the basis for most of the activities conducted in grants management. The "pre-award" practices are simply those which have to be utilized during the period of time before a grant is made.

First and foremost among pre-award considerations is the matter of "categorical" legislation and funding—the name generally applied to the congressional practice of stipulating (in very exact terms, as a rule) the precise uses for which grants can be made. The distinction, of course, is between "general" legislation and categorical. Title VI of ESEA, for instance, is an example of "categorical" legislation for the benefit of handicapped children; the 15 percent "set-aside" for the benefit of the same group in Title III, ESEA, is another example. Indeed, from one point of view, the entire Elementary and Secondary Education Act can be described fairly as a cluster of categorical authorizations. Federal aid in lieu of taxes, on the other hand, are "general aid" funds: they are available only to some school districts, through SEAs; but where they are available, their use is virtually unrestricted.

It is outside the scope of this report to raise or answer the question whether Congress was wise in establishing a system of set-asides within categories within other categories of funds, somewhat in the manner of Chinese boxes. That there were potent political and moral reasons for the establishment of many of these categories is made obvious even in a casual reading of the histories of earlier and less categorical legislation. As one state official dryly remarked, "You know, Congress just might have known what it was doing." Be that as it may, categorical legislation—"mandated" in the law—is the backbone of federal grants management practices, and it is a principal determinant of the ways in which state education agencies deal with federal grants.

Related to categorical funding is the common congressionally mandated device of the "matching" requirement, a proviso that federal funds will be made available for categorical purposes only in some stipulated proportion—and up to a stated amount—of funds for the same purposes provided from his own resources by the grantee. As long as the grant recipient "overmatches"—as is very frequently the case—there are few administrative problems attached to matching funds. But when the grantee just barely matches a grant, problems can arise on question of whose dollars paid for what; this is a subject to which we must later return.

The method by which an appropriation of grant funds is to be divided among eligible grantees is provided by Congress in the law. The funds are appropriated for distribution and award by USOE; because they pass through USOE hands, their later use or redistribution being attended to by others, these are sometimes described as "flow-through" funds. Some of the methods Congress chooses—for example, the formula which determines the distribution of funds under SAFA (federally impacted areas) legislation or most of the ESEA titles—have little importance for this report. This is not to say that these distribution formulas are unimportant. Congress has indicated that it is very much concerned about the way in which Title I of ESEA, for example, is allocated; and Congress has directed the Commissioner of Education to make a special report on the subject by March 31, 1972.

Changes in distribution formulas, on the other hand, have considerable importance in this study. One such change (in Title III of ESEA) provides an example of how a distribution practice can be of importance in its impact on grantees such as SEAs.

In the original law of 1965, Title III of ESEA provided that all funds appropriated were to be "discretionary"—that is to say, distributed at the discretion of the U.S. Commissioner. A subsequent amendment to the Act removed this discretion from the Commissioner and directed USOE to give the funds to

the states on a prescribed basis. The latest amendments provide, in effect, that 85 percent of the funds go to the states on a formula-plan basis, and that 15 percent are to be discretionary funds in charge of the Commissioner. The present Commissioner, Dr. Sidney P. Marland, Jr., is reported to have stated that his preference is for Congress to make provision for at least some discretionary funds in every piece of grant legislation. Discretionary funds pose problems for a state education agency. How to treat them in planning and budgeting? How to go about getting them?

The use of the word "plan" leads to one of the most important of all the legislatively mandated grants management practices—the requirement of a "state plan." Title III of ESEA serves as a prime illustration because of the number and the detail of the "plan" specifications it requires of the states. Four and a half pages of the legal text are devoted to "State Plans," and three of these pages are given over to (a) what the state must do to be eligible and (b) what the SEA must provide for in the plan. There are over a dozen stipulations ranging from a 15 percent set-aside for handicapped children to a provision requiring an annual program evaluation by the State Advisory Council, and the establishment of that Council is required by the same section (305) of the law.

Listing many general and very specific requirements helps set the stage for a good deal of hypocrisy by federal and state politicians—and, occasionally, by USOE officials—about the freedom of the states to decide their own educational destinies; a point to which we shall return.

This is not to deny that the plan requirement is a very effective tool when viewed as a grants management device and from the federal standpoint. Nor is it wholly, or even relatively, bad for the states, especially those whose SEAs have a low management capability or lack of initiative and imagination; there is no reason to doubt that plans produced in response to federal law are the only plans that weak SEAs are going to have.

But the picture changes drastically when planning is seen

as a state agency's own effort to establish or clarify its or its own state's purposes, goals, and objectives. The federal government requires a "plan." There exists the possibility, at least, that a state's purposes, as incorporated in that required plan, might not find approval at USOE.

Senate Report No. 91-634 (pp. 910-911) speaks about this possibility in regard to congressional intent concerning Title III of ESEA.

"In extending the Commissioner's set-aside and partial approval authority, the committee is expressing its intention that Title III continue to be a moving force in bringing about change in American education. The Commissioner has authority to fund projects which he determines to hold the most promise If the activities proposed by a State in its plan do not show the innovation required by law, the Commissioner should approve only those activities which meet Federal standards under the partial approval authority."

Clearly, the Committee has considered the possibility of there being differences between SEA purposes and the purposes for which it is recommending that the Commissioner approve "plans" to spend federal money. It is also clear how the Committee wishes to see these difficulties resolved. This position can be justified legally and otherwise.

But from the point of view of the SEA, there can be no doubt that the "partial approval authority" can be a powerful constraint on the planning process. And there seems to be a good theoretical case, at least, that the constraint might operate specifically against precisely the state education agencies which would propose genuinely "innovative" innovations. Those which propose "innovation[s] required by law," it seems, would be safely proposing to conform to a current orthodoxy.

A key word is "propose." The prime characteristic of the "plan" mandated by Congress is that it is a "proposal." Perhaps

it is nothing more than a proposal. Given the many and varied constraints upon it, the "plan" may even be less. The constraints can be regarded as categorical stipulations which are to be met in the SEA's proposed plan. The plan, in this case, can be regarded as merely a statement of point-by-point acquiescence to the requirements stipulated in the law, the guidelines, the rules and regulations, or even to the preferences which USOE—as the grant-making agency—may hold with respect to method, priority, organization, or other matters. Given an application form and an elaborate set of instructions on what a plan "should" say, it is predictable that—given a hunger for the funds in question—an SEA's proposed plan will be the mirror image of USOE's instructions. In the extreme case, intelligent SEA officials will perceive correctly that—where the categorical stipulations are the most numerous and complicated—the message from Congress and/or USOE is short and simple: "Come, let us reason together—until you agree to conform."

Considerable attention is given in law to providing legal reviews to states whose plans are not approved. However, it is clear that the Congress intended that the Commissioner have the right to reject a state plan, wholly or in part. The latter option allows a state to put into action only that part of its plan which has been accorded approval. The remainder is held in abeyance until the state changes the unapproved portion to bring it into "substantial compliance" with the detailed specification already referred to.

USOE, it seems, has undertaken action to avoid the more severe implications involved in rejecting state plans. When an SEA gives assurances that it will comply with the regulations, its programs can move along while OE people work with SEA people to develop a plan which will be approved.

"Assurances" are a required feature of Title I of ESEA at the present time. School districts and SEAs must provide "satisfactory assurance" that federal funds "supplement" and do not "supplant" other funds and that "comparable" services

are provided in areas not receiving Title I money. Failure to abide by these assurances can bring on audit exceptions, at the very least, and even may lead to the cessation of payments, which is really USOE's ultimate weapon.

"Life-of-the-Grant" Management Practices

Once a grant has met all the eligibility, applications, and award conditions, new practices come into force. These are generally intended to assure that the stipulated uses of the grant are being worked toward and that the stipulated conditions are being observed. The simplest of these practices—in theory, if not in fact—is "monitoring."

As used here, the term monitoring means simply the surveillance of state education agency activities for the full or partial support of which federal funds have been made available. For some purposes, reports may be considered as monitoring devices, as may visits by USOE representatives to the SEAs. The monitoring process is characterized by its being routine and more or less admittedly superficial; and further by the fact that its fundamental intention is to ascertain if what is supposed to be going on is in fact going on within predetermined limits. Analogically, monitoring is nothing more nor less than "dial-reading"—the moving needle shows activity, and if the "red-lines" are exceeded, a bell rings to signal the need for more positive action of some kind.

Reports requirements are usually stipulated in legislation, which sometimes establishes when they shall be due and to what points they must address themselves. The dates, formats, and purposes of reports vary markedly from act to act and from title to title; the interpretations of all such matters vary from unit to unit within USOE. For SEAs, the result is a complex and forbidding hodgepodge of reports and reporting dates. A more commendable practice is found increasingly in recent law, that of allowing the Commissioner to establish the rules regarding due date, form, and content of required reports. Joint federal/state attention to the entire "report stream" also is on

the increase. Both facts—less specificity in law and greater federal/state cooperation—promise to minimize, to some degree, the adverse effects of reporting obligations on SEAs.

State education agencies, however, are likely to take these hopeful trends with a grain of salt. At the present time, one of the criticisms (and complaints) heard most frequently from SEAs is that USOE is too constantly and too frequently changing the report forms. Vocational Education officers in state agencies seem to be the most common victims of this practice, but by no means the only ones. The criticism really has two aspects. One is that there are too many changes in the report forms and, presumably, in their content. The more important aspect is that the SEAs too often are given too little notice, and that the advance warning is not sufficient for them to collect the information required by the change. In these circumstances, the SEA really has only one option: fill out the report, using the information that is available even if the kindest evaluation of that information is "garbage."

There is, however, a more basic consideration of reports as a grants management practice often related to monitoring. This consideration relates to the fact that reports in the past have been used predominantly as a means for collecting information of the same kinds sought in audits. With the growing need for information concerning performance and product, there has, too often, been a tendency to take the seemingly easy way out—tack the new report requirements onto the old report form. This practice accounts, at least in part, for the complaints about changed reports and insufficient "lead time" to collect the new information.

Performance-oriented information can be astonishingly complex and, pretty much by definition, is a kind of information that an SEA has not previously collected. Furthermore, in the present state of the art, few people in SEAs are willing to vouch for either its validity or its reliability. To couple it in a form which has audit implications quite naturally causes resentment.

One of the most effective devices during the period of a grant is the "letter of credit," originally a "treasury management" device to regulate the federal government's cash flow, but which is used by HEW and USOE as a lever to be applied to grantees. The purpose of the letter of credit is to prevent the accumulation of an excessive balance of federal cash in the hands of a grant recipient such as a state government or a state agency. The fact that the states receive their money under the terms of a letter of credit limits the cash on hand. In turn the states are using the same or a similar device in providing cash to the local districts.

The most common problem for the state agencies concerning the letter of credit mechanism revolves around the phrase "excessive cash balance." The term is usually defined as an amount which is slightly more than enough to meet the normal demands of the state agency for a stipulated period. The key questions, of course, are (a) what are normal demands and (b) how much time is stipulated?

State agency fiscal management systems differ significantly in the ways they do things, and how well or how quickly they do them. The steps required to process accounting documents vary among the states, both in number of steps and in time spent on each step. It follows, then, that some states take longer than others to find out how much they and their local school districts have spent. Since the fiscal management processes of the federal government are not instantaneous either, it is theoretically possible that there are fifty distinct lengths of time which could be considered equitable as stipulations of what constitutes an excessive cash balance.

"Normal demands" complicate the situation further. The federal government sets periodic maxima for letters of credit to a state agency and bases the stated maximum, as a rule, on past performance. This seems reasonable enough, but it does not always account satisfactorily for seasonal factors. Summer schools, for example, may be supported nearly entirely with federal Title I funds in some states, and they create a seasonal

demand for cash which may not be satisfied by the cash flow of a letter of credit that levels out 12-month demand.

The letter of credit is a device which is hard to fault. It is administratively simple, and it produces savings to the taxpayer that are obvious and considerable. The quarterly reports required of the states cannot be called burdensome. The emergency payment procedures provide adequate protection for "program" people in state agencies with laggard accounts: money held up by a "stopped" letter of credit can be immediately released by these procedures as soon as the condition causing the "stop" (usually a tardy quarterly report) is rectified.

There even may be an unforeseen but beneficial side effect of the use of the device. It may be nudging USOE and many SEAs toward more modern accounting and financial management. Indeed, it may have a similar effect on local school districts, because the reports that SEAs require of the districts tend to pass on this useful side effect.

The Office's experiment with Arizona and Nebraska using a single letter of credit for all educational activities in those states is to be commended. One can hope that differing patterns among the several states in the matter of elected officials do not prevent the spread of the single letter of credit for education to all the states. It is understood that HEW is considering the possibility of using a single letter of credit per state for all the department's funding activities at some future date should the OE experiment prove successful.

The letter of credit remains basically a treasury management device, however, and USOE as well as the SEAs are essentially mere bystanders. The U.S. Treasury wishes to transmit funds to grant recipients at a rate which will prevent the accumulation of cash and hence will reduce the Treasury's need to borrow. When an SEA is the grantee, the fiscal recipient is really its parent state government, however. The letter of credit is more clearly an intergovernmental device, in other words, than a device which relates the federal and state agencies in education.

Another practice used by USOE is best described under the general name of "technical assistance." This is the generic term for many things USOE does to help the state education agencies avoid making mistakes in administering grants they receive. New federal laws and guidelines, for example, are explained by USOE to SEA personnel in circular letters, in handbooks, and at touring "show-and-tell sessions." Teams assembled or sponsored by USOE hold workshops or seminars where new report forms are explained and proper report-making demonstrated. Guides, handbooks, and program manuals are prepared by USOE and distributed to SEA personnel.

Some of the funds granted to SEAs are designed specifically to defray the expenses which SEAs incur in administering other federal funds. The technical assistance efforts, which are laudable, tend to concentrate on how to administer federal funds. In the main, the efforts seem to be successful. SEA officials, in general, seem to know—presumably as a result of technical assistance—what their agencies in effect are being paid to know about federal funds and, in general, seem to be able to do what their agencies in effect are being paid to do in connection with the custody of federal funds. In these respects, it may be inferred, technical assistance is effective.

The difficulty is that SEA officials know what they have been told that they *now* are supposed to know, and are able to do what they have been told that they *now* are supposed to do, insofar as technical aspects of the administration of federal funds are concerned. Unfortunately, however, the "now" tends to be highly transitory and the "what" tends to vary widely among grants issued under various Congressional authorizations. Two effects of the circumstance are adverse: (1) it places some SEA personnel in the position of having to become experts in the federal government's rules and regulations; and (2) it places the SEAs, to some considerable extent, in the position of being unable to reason why, because their obligations are to do as they are told.

SEAs cannot and should not be expected to have the numbers of "federal grants experts" or the same level of expertise as USOE must have regarding the administration of federal funds. USOE appears to expect that they will, however. From the many organizational units of USOE's compartmentalized structure, and often as a result of personnel changes in that structure, there flow constant changes in program definition, guidelines, reports, forms, and so forth. All the changes flow through a pipeline which, in some SEAs, disgorges at the desk of the SEA's "federal funds coordinator," who must be reasonably expert in the "what" and "how" of each variety of federal money. Technical assistance is essential if all the changes are to be made effective without great turmoil and without many mistakes. Given the situation, technical assistance has to be adjudged effective. The question arises, however, whether the need for this type of assistance cannot and should not be moderated, by minimizing the degree of detail and the volume of changes in the "what" and "what now" of stipulations from USOE to SEAs regarding the custody of federal funds.

Most visits by USOE people to state education agencies fit under the general heading of technical assistance. The "management review team" is a device which seems, however, to merit special consideration on its own. The teams, which originally came to SEAs only by "invitation," come to review an SEA's management of federal funds. Their visits are a week in duration and their work is done primarily in association with SEA personnel. The early visits, it has been suggested by some SEA officials, were combined with what appeared to be an uncommonly "hard sell" of the idea that there should be a separate planning unit component in each SEA, but no one suggested this was to the exclusion of useful recommendations on other aspects of management.

Management review teams provide a strong potential for altering the management practices of state agencies. This fact seems to be appreciated much more in USOE than it is in the

SEAs. The most visible constraints on such teams are that (1) they purportedly visit by invitation only, (2) they purportedly evaluate only the management of "federal" funds, and (3) they produce only those "recommendations" in which the state agencies concur. But the first two restrictions are more apparent than real. The third is obviously only one step away from producing a purely federal recommendation and two steps away from producing a "guideline," with the initiative for taking these latter steps resting entirely with USOE.

Title V of ESEA has a definite grant management/technical assistance aspect. Aware of the fact that SEAs were in no better condition in 1966 than was USOE to do the jobs required by ESEA, the law was intended to strengthen the state education agencies. Title V money could be used for the various purposes which state agencies themselves felt would strengthen their management capability. As noted in Chapter III, this has not always worked as intended.

The ultimate power in the hands of USOE is "cessation of payments"—the power to withhold funds. Like other examples of "ultimate" powers, there is a reluctance on the part of those who possess it to use it as frequently as they use the threat of it. Part of the reluctance in this case is probably based on the old theater rule, "Always save something for an encore," which can be good advice in other areas of endeavor. But more important here is the justifiable suspicion that if the "ultimate" power is used, it may turn out not really to have been ultimate—witness former Commissioner Keppel's rapid and politically induced retreat from an effort to withhold major sums from Chicago.

Post-Grant Management Practices

Generally speaking, two major management practices can be classified as "post-grant"—auditing and evaluation. The fact that there is presently a tendency and a need to treat these together, in some respects, is considered in Chapter III of this report. Here, they shall be discussed separately.

The audit closes the circle of governmental spending. Traditionally, it is conducted by an arm of the same legislature which authorized the expenditure, which appropriated the money, and which governs the agency by which the money was spent. Traditionally, the purpose of the audit is to determine whether the money was spent for the purpose for which it was appropriated and in the manner stipulated by law. The audit ideally is independent, external, and after the fact. That is: conducted after the action, by authorities outside the agency which used or spent the money, and by an auditing unit largely free from administrative or political constraints.

By definition, then, the audit occurs after the money is spent. The *desideratum* is that it occur as soon as possible after the expenditure period, when records are complete, memories are fresh, and there is more possibility of rectifying mistakes or initiating criminal charges. Long delays tend to reduce an audit's effectiveness and its credibility.

It is regrettable that a combination of staff shortages and the enormous number of accounts deemed to require federal audit has resulted in long delays. The problem is particularly evident with respect to grants from Title III of ESEA. Many Title III projects have been closing down recently. Unless projects such as these are promptly audited, there is a good possibility that the project staff will be dispersed and records will be hard to locate; in such cases, the most that can be expected to result from audit exceptions is that an already hard-pressed school district may have to somehow find money that it has made no provision for. Ideally, during what typically was a three-year life, these projects would have had two annual audits. The results of corrective actions taken because of these two would have made the final audit more or less *pro forma*.

In actuality, accounts are not audited until years later. At that time another element often enters the scene and further impairs the effectiveness of the audit, either as a device to improve management or as the chief method of insuring fidelity in public spending. This element is the nearly universal disbelief

among state education agency officials that the audit agencies have—or would exercise—the power to really enforce their exceptions, especially when enough is at stake to warrant the agency mustering its troops—governor, senators, congressmen, and perhaps, large city mayors. As long as out-and-out criminality is excluded from the picture, the states appear to believe that they can win any head-to-head encounter they choose to engage in—and there is not much in the historical record to contradict them.

Evaluation is used here to mean the activity of appraising both (a) the state education agency's internal activities and their outcomes and (b) the management, performance, and outcomes of the efforts made throughout the statewide school system. The latter activity, discussed in Chapter III, is also designated as "assessment." Here "evaluation" will be used for both.

The idea that education might be subject to some of the same standards of performance and achievement that have long applied to government and business has been a long time in coming and can hardly be said to have achieved universal acceptance in the education profession. Education has always measured itself by its own yardsticks. The units of measure only occasionally could be translated—and then only by a professional—into the language of the forum and the marketplace.

But that is changing; in fact, has changed. Those who control the funds are raising questions that are sometimes embarrassing, and are demanding answers in their own language. The most embarrassing questions are those which require educators to evaluate not only every detail of their activity and apparatus, but their product as well. This is something that the present state of the art permits to be done only in the most cursory and superficial fashion. But the questions will remain: good intentions and fiscal fidelity are now clearly not enough; and educators must find the means to account for their performance and their product.

MONEY VERSUS WHAT MONEY BUYS

At present, USOE employs one set of grants management practices or devices to accomplish all tasks which may be related to the issuance of federal grants to state education agencies. As described in the preceding discussion, these are operative before, during, and after the life of each grant.

However, it is crucial to observe that two very different and logically separable sets of considerations and interests are attended to in the process.

1. On the one hand, there are all those substantive considerations which surround the condition of education, aspirations for education, needs for reform in education, and education's place in the further reform of society.
2. On the other hand, there are all those procedural, mechanical, legal, and fiscal considerations which surround the transmission, custody, and disposition of money.

The latter set of considerations is essentially the same whether the grant funds at issue are in the educational sector of public life or are for highways, law enforcement, or another aspect of governmental attention to social conditions and public services. They are the considerations which call forth the work of financial logistics. They utilize and rely on financial record keeping, the safeguards of internal financial controls, sophisticated treasury management, financial reporting, and reliable audits of fidelity and fiduciary responsibilities. Except insofar as they may either facilitate or impede the conduct of other work, these considerations have virtually nothing to do with either (a) the performance of USOE, SEA, or school district efforts within education or (b) the achievement of the desired outcomes which such performance is intended to produce.

The former considerations, in stark contrast, are specifically those of the stuff and substance of education within

a complex society. They relate directly to the "who, what, when, where, why, and how" of education. They relate directly to appraisals of present conditions and needs, to selections of goals and objectives, and to the adoption of methods for attaining objectives. They bear directly upon the substantive matters of performance and achievement, by USOE as the *federal* education agency, by the several *state* education agencies, and by the many other entities which are expected to perform and to achieve within the wide-ranging sector of education.

The Office of Education, in all fairness, can be both praised and faulted for the respects in which it has, through the years of rapid increases in federal funding for education, (a) recognized that the two contrasting sets of considerations exist and (b) provided for attention to each set. Particularly during the past few years, USOE has greatly increased its efforts and attention to matters of planning and of evaluation, both of which are among the central aspects of a substantive view of education and educational grants. Certainly USOE merits nothing but praise for recognizing the importance of planning and evaluation. USOE attention and efforts in this connection, however, have not yet been able to cast off some impediments which (a) relate to the transmission, custody, and disposition of money and (b) intrude upon, excessively subdivide, and hamper the examinations of educational performance and educational achievement or accomplishment.

"Fidelity" and "Substance"

As a matter of convenient shorthand, the two sets of considerations just described are designated here as the "fidelity" aspects and "substantive" aspects, respectively, of federal grants in education. They impose different demands. Existing USOE grants management appears to stem from an earlier era of limited federal aid to education, an era in which (a) the substantive questions were comparatively muted and (b) the fidelity aspects were the more prominent. The practices or

devices of grants management which emerged during that era characteristically are designed to supply reliable responses to fidelity questions. A few standard fidelity questions are these: How much money was granted to whom? Did the grantee receive the money? Did he take good care of the money? Can his expenditure of the money be documented? Did any of the money slide into improper pockets?

The substantive questions were "comparatively muted" in the following sense. Until very recent years, education and educational institutions were not called upon to demonstrate, or to prove, their worth. It was assumed that what they had been doing with the money was either a good and necessary thing to do or a productive and constructive thing to have done. If funds were made available to provide hot lunches, for example, it sufficed to establish that hot lunches were served. It was not deemed necessary to go further, to show either that the hot lunches were good, that they were served skillfully, or that they effectively improved a situation. Neither the quality of education's performance nor the utility of education's achievements and accomplishments was called into question. Education rarely needed to demonstrate that the stated goals or objectives had been met thanks to the course of action taken, much less to prove that those goals and objectives were valid and well chosen.

Until very recent years the "name of the game" for USOE grants management truly was "federal aid to education." Neither the public nor the Congress probed deeply into the utility of the investment of public funds in education.

Under those circumstances, the fidelity aspects of grants management set the basic patterns under which grants were to be issued and kept track of. The basic pattern which emerged focused attention on each specific bit of money granted, from each pocket of money which Congress made available for grant-making purposes. In a very real sense, the purpose was simply to make grants, and attention was concentrated on each grant made. One grant, therefore, meant one application, one

review, one award, and perhaps even one check in a lump sum amount. Later, the one grant would also mean one final report and ultimately one final fiscal audit. Each grant stemmed from a specific Congressional authorization and from a specific appropriation. Neither the several authorizations, the several appropriations, nor the many grants had to be related to each other.

Under the circumstances, therefore, it was convenient and perfectly proper to compartmentalize USOE's attention to grants management, in proportion to the extent to which Congress chose to compartmentalize the categorical pockets of money: one pocket of money, one organizational unit to give it away.

In these basic respects, the original rules of the game linger on. Now, however, the name of the game has changed, the nature of the game has changed, and the old arrangements are both insufficient and unworkable, not merely obsolescent but partly obsolete.

Bigger Game, New Rules

The game has changed in two basic respects. First, the sheer size of the federal investment in education has multiplied. It no longer represents a relatively minor outlay by the federal government. It is not made casually, to symbolize federal approval of education or to make a token federal contribution to education. It now is a major item of federal outlay, and it receives deliberate and painstaking attention.

Second, public attitudes and governmental attitudes toward education have altered. Education must compete harder for the public dollar, and the competition is greater. It is becoming insufficient for education to report simply how many dollars of its total were spent on which line of work. Pressures mount for education to demonstrate that each line of work was well performed, and that each line of work yielded a beneficial result.

A major difficulty arises immediately, with respect to

grants management, and makes the old rules of grants management unworkable. The difficulty is that the old one-to-one pattern—for example, one grant, one check, one report, and one audit—has little if any utility for adjudging (a) the quality of performance, (b) the results accomplished, or (c) the quality of management.

The old, time-tested, tried and true practices and devices of grants management may still suffice for “fidelity” aspects of the total task. They do not suffice for “substantive” aspects of grants management. The two aspects continue to be combined, however, in the single set of practices and devices. They continue to be attended to—or, rather, the attempt is made to attend to them—with a single series of steps, from application through final audit. For fidelity purposes, they may continue to work: each grant is a fiscal entity which can be followed through time and through all the steps.

Each grant, however, does not represent a *substantive* entity within education. A grant does not necessarily support a separable line of substantive effort. A grant does not necessarily provide sole support, nor even the major share of support, to a given line of effort; and even when it does, the line of effort may not be separable for adjudging management, performance, and achievement.

Plans, programs, and budgets of an educational enterprise presumably are focused on these things: one or more goals to be achieved or targets to be met; a line of approach to achieve or meet them; and a specific, concrete, planned set of operations by which to act during a given period. The evaluation efforts in the educational enterprise presumably are calculated to appraise these things: execution—whether the plan of operations was carried out; management—whether it was carried out skillfully; performance—whether it was carried out fully; achievement—whether it yielded the desired results; and therefore planning—whether it was well conceived.

Within education as a whole, the federal dollar is roughly 7 percent of the total, versus 93 percent from state and local

sources. No doubt there are some lines of educational activity, within some of the thousands of educational enterprises, where dollars are invested in precisely that proportion—seven federal dollars and ninety-three state or local dollars, to achieve one precisely stated targeted outcome. With “fidelity” in mind, the seven dollars can be tracked down separately, without regard to the rest. With “substantive” aspects of education in mind, however, the entire line of activity, the entire expenditure, and the one set of observable results have to be treated as a whole.

The substantive questions necessarily part company with the one-to-one arrangements that undergird fidelity matters. If a line of educational activity were carried out and if the desired result were thereby achieved, there is no way to decide which part of the one achievement can be attributed to which identifiable dollar spent in the process. There may be ways—although these are still in doubt—to adjudge the management, the performance, and the achievement of a given line of endeavor within a given educational enterprise. When money from several sources is utilized in that line of endeavor within that enterprise, it certainly is possible to determine how many dollars were drawn from each source. If one of the sources is a federal grant, obviously, it is possible to be specific about the extent to which that grant provided the money to support the endeavor. But the quality and the utility of the endeavor have to be adjudged—that is, evaluated or assessed—as a unit, as a whole, without regard to the several identifiable bits of money consumed.

COMPARTMENTALIZATION

USOE's work in connection with grant funds could be compartmentalized in various ways. One way is to establish and maintain a separate organizational unit for each pocket of “grantable” funds entrusted to the Office of Education, each such unit to attend rather fully to its assigned pocket of general

or categorical moneys. This is one superficially plausible way to accomplish a degree of specialization and division of labor within USOE. Compartmentalization of this type may have utility for "fidelity" aspects of grants, and it probably has come into being within USOE in response to the need to perform fidelity-related tasks. This variety of compartmentalization may have some continuing usefulness for USOE attention to the transmission, custody, and disposition of grant funds. If USOE intends to concentrate (or is expected to concentrate) its attention on substantive matters, however, this will have to cease to predominate as a basis for allocating bits of work to separate compartments of the Office.

Attention to substantive matters—notably those of appraising needs, planning, and evaluating—requires different treatment. The questions, the data, and the answers of "substantive" efforts draw only incidentally upon the procedures and documents which fidelity tasks can generate. The reason, as indicated above, is that the substantive questions, data, and answers extend well beyond the limits of a specific grant.

At present, USOE recognizes both sets of needs, but grants management devices and practices respond basically to fidelity matters. Other arrangements—which perhaps ought not be termed "grants management" at all—are necessary in order that substantive matters may be dealt with fully and satisfactorily.

At present, USOE grants management appears to start from the fundamental premise that each separate grant from each separate pocket of money (general or categorical) is the primary object of attention, a discrete entity to be followed from inception to interment. With this as a starting point, the practices and devices of grants management have been shaped accordingly.

For a given pocket of grantable money, there is an identifiable crew of USOE staff members whose job it is to give that money away and to keep track of each grant awarded. That

crew receives and reviews applications, makes awards, monitors the grantees, receives and reviews reports, and so forth. The same crew, in basic respects, designs the applications and reports to be submitted, decides on the supporting data to be required, and interprets, for the convenience of present or potential grant applicants, the meanings of such restrictions as may apply to the specific pocket of money in question. Some moneys are awarded on a formula basis, some on a project basis, and some on the basis of a plan proposed by the applicant. Whatever the basis, the questions at issue center about the use which the applicant—should he receive a grant—would make of this specific sum of federal money.

For fidelity purposes—to whatever extent these are a proper concern of USOE rather than other federal units—such single-minded concentration on each separate grant has usefulness.

For substantive purposes—those involving planning, the appraisal of needs, and the assessment of management, performance, and achievement—this focus on each separate grant has very little usefulness, if any.

The data requirements of fidelity and substantive purposes differ so markedly, for example, that the attempt to satisfy both sets of requirements with one set of application and report forms can be expected to fail. The differences between the two sets of data are fundamentally those which differentiate “program budgeting” from earlier patterns for budgeting such as “line-item” or “work measurement” approaches. A line-item budget addresses attention to the dollar sums per position to be filled or per item to be purchased. An object of expenditure budget addresses attention to the dollar sums per category of purchase, that is, so much for salaries and wages, so much for equipment, and so much for supplies, travel, and other goods or services. The paper work of grants management covers these matters fully with respect to the federal funds granted, sometimes on the line-item basis, sometimes by object of expenditure. Data regarding such matters are useful, for fidelity

audits among other things, but they do not suffice.

Substantive aspects of educational management are by no means "satisfied" by either line-item or object of expenditure data. Substantive aspects of educational management are not even assisted, moreover, by line-item or object of expenditure data which pertain only to one fraction—for example, to the proceeds of one grant—of the money involved in a given line of substantive educational endeavor. If a line of endeavor is to be examined—whether at the stage where needs are appraised, where plans are drawn, or where management, performance, and achievement are evaluated—data are required to cover the entire line of endeavor: *all* activity, *all* revenues, *all* expenditures, *all* evidences of need, work measurement, and accomplishment, and all other available and pertinent facts regarding the clientele, the work force, the methodologies, and so forth.

A federal grant may supply almost any percentage of the total financial support for a given line of endeavor that is to be conducted by a grantee, whether the grantee is a state education agency or another type of enterprise. Whenever a grant is contingent on a matching requirement, for example, the grant is by definition only partial support of the grantee's line of endeavor. A federal grant rarely supplies "total" support, however, whether or not any type of matching requirement is stipulated. A wholly owned, fully subsidized, federally created enterprise—initiated, created, housed, and financed by the federal government—is perhaps the only setting in which a federal grant provides 100 percent of the money to cover all elements of true cost, from land and buildings through all current expenses.

Despite these facts, USOE grants management practices now purport to gather, with respect to a given grant, data on topics which ostensibly will support evaluation and other substantive efforts. The effort produces little, even though the motives are sound.

Let it be assumed that USOE has an interest in appraising

educational needs, nationwide or in specific locales. Let it be assumed further that USOE has an interest in evaluating or assessing educational management, performance, and achievements—again, nationwide or in particular settings—as these are visible among the state education agencies.

Evidence as to need is gathered by examining the style and scope of present operations, the characteristics of community and population, the extent of local wealth, the extent to which local wealth is made available for education, and other factors. Evidence as to management, performance, and achievement in the substantive aspects of education similarly has to be gathered by examining what was done, where, by whom, to what extent, at what cost, with what facilities, how, and with what results.

These varieties of “evidence” are not supplied in paper work designed to satisfy fidelity aspects of the work of the Office. Neither line-item grant data nor object of expenditure data—as these may be supplied by grantees in applications and reports—can be made very useful in the substantive tasks. Asking grantees to report on the “who, what, when, where, why, and how” of their use of a specific grant—when the remainder of their efforts and possibly the bulk of the money involved may be outside the limits of the grant—is not a constructive exercise.

The Consolidated Program Information Report (CPIR) is an interesting venture away from the one-at-a-time, grant-by-grant basic approach within USOE. It stems from joint federal/state efforts, its history is brief and inconclusive, and its future is problematic. Its intended purpose is in evaluation. The CPIR is conceived to cut across the lines which separate federal funds from state or local funds, which differentiate between pockets of federal funds, and which make each specific grant a separate matter of attention. It is beside the point here to question whether the CPIR is a satisfactory data collection instrument, whether it asks the “right” questions, and so forth. Whatever its quality, the CPIR has the virtue that it is aimed at “substantive” considerations to a much greater extent than is

the case with most of the practices and devices of USOE grants management.

Deliberate and well-conceived attention to substantive matters is needed. Grants management practices tend to be oriented to fidelity matters. They are out of balance in this respect, and USOE will need to take further steps to correct the imbalance. In a previous report to USOE, Public Administration Service observed that this may be done whether or not Congress continues to make grant funds available in categorical fashion. The "categorical" nature of grant authorizations and appropriations may have led to the "compartmentalized" and fidelity-oriented existing arrangements for USOE grants management. They do not preclude the design and utilization of other arrangements, however, which USOE might make specifically to facilitate attention to substantive matters.

By doing so, it is likely that USOE would achieve a reduction in the volume and intensity of the criticisms and complaints now generated by grants recipients—including state education agencies—regarding the number, frequency, and redundancy of the application forms, report forms, and related arrangements which correspond to each category of grant moneys. Narrowly defined "fidelity" matters might continue to require separate—but short and simple—pieces of paper for each separate grant. But these separate bits and pieces of "federal funds in education" would not have to be complicated by well-intentioned, but fundamentally useless and annoying, attempts to make them serve substantive purposes.

One ironic note may be mentioned here. The USOE staff members who attend diligently to a given pocket of grantable money are designated as "program officers," and it might be expected that their time and effort would be addressed to "program budgets" of grantees. Instead, the fact that fidelity matters predominate forces them to deal too much with line-item and object-of-expenditure data, that is, not enough with the substantive programs of the grantees and too much with grantee efforts to meet fidelity requirements.

Some major changes would be constructive.

III.

SEAs and the Management of Education

Given the context depicted in Chapter I, it appears that now and certainly for the decade of the 1970s "the name of the game" is some combination of federal aid to education, educational reform, and social reform. Except for some interest in voucher systems and other recent proposals, there is no suggestion thus far that the existing "social machinery of education" will not be relied upon to deliver the federal aid, achieve the educational reform, and attend to the educational aspects of social reform. State and local governments now operate the bulk of the social machinery of education, and it seems clear enough that they will continue to be relied on to do so.

National policies regarding education are expressed in federal legislation. The national policies create the mix of aid and reform. To the extent that they require reform, they change the rules of the game as it has been played by state and local authorities. The national policies have to be observed by state governments, for example, and they therefore have to be expressed in the management and performance of state education agencies. As major components of the social machinery of education, the SEAs are targets for improvement, and they simultaneously are instruments for inducing improvement elsewhere. Grants management at USOE, it

follows, is expected to have a kind of "impact" which will be constructive in its immediate effect at the SEA and, at the same time, be constructive in its further effect—transmitted through the SEA—on other components of education's social machinery.

The context described in Chapter I is essential for understanding the problem under study. So, too, is familiarity with the "devices and practices" of grants management employed by USOE, as described in Chapter II. So also is a consistent and well-founded view of the components of social machinery known as state education agencies.

This chapter, accordingly, is a depiction of the state education agency and its work, together with observations and findings regarding the impact of USOE grants management. The discussion is based on the premise that a state government has good and sufficient reason to maintain an executive department as its prime instrument in the area called education. It is based on the further premise that an SEA, as an executive department, has an inherent three-fold mission to perform; that, pursuant to its mission, an SEA seeks to achieve certain major outcomes in education; that the mission is pursued and the outcomes are sought through a wide range of SEA activities; and that an SEA's management and performance are contingent on the efficacy of the agency's use of a series of management processes. The SEA mission, functions, and management processes are discussed at some length below.

SEA MISSION, FUNCTIONS, AND MANAGEMENT PROCESSES

"Advise, ascertain, and assure" are key words in the SEA mission. First, as a department of state government, the SEA is expected *to advise* the parent government on the subject of education and on the desired state of affairs within the statewide educational system. Acting with that advice, which must take national policies into account, state government

expresses its expectations for education statewide, and state government adopts policies, priorities, standards, and criteria. Second, the SEA then is expected *to ascertain* whether the desired state of affairs exists throughout the state. Third, wherever affairs are below par, the SEA is expected *to assure* that corrective action occurs.

SEA Functions

Pursuant to this three-fold mission, each SEA is expected to carry on a wide range of activities and, with those activities, to bring about these six essential "functions" or intended outcomes:

1. *Research* is performed, and its results help to indicate directions for improvement in public education.
2. *Information and statistics* are assembled and published, to describe and depict public education and its characteristics, prospects, and problems, both statewide and in each district.
3. The *distribution of financial and material resources* is accomplished, so that local, state, and federal shares of support are provided in suitable amounts to and within each district, in ways which advance the achievement of stipulated policies and priorities and which assure desired educational opportunities statewide.
4. *Advice and technical assistance* are provided as needed to schools, school districts, and related entities, for improving instructional and other aspects of educational operations.
5. *Regulation and licensing* are performed to assure that qualitative and quantitative standards are met or exceeded.
6. *Special facilities and operations* are maintained in attention to matters of statewide concern that merit or require state rather than local conduct.

To have a reasonable chance of evoking these statewide

outcomes, of course, the SEA itself must be an effective and vigorous executive department of state government. Therefore, a seventh function or intended outcome is implicit: *internal management* of the SEA itself must be efficacious. It often is stated that the functions of an SEA are of three types: regulatory, operational, and "leadership." Using the array of functions enumerated here, it may be said that "leadership" emerges when all seven functions or intended outcomes are achieved: that is, the best evidence that an SEA did exercise leadership is the observable achievement of progress in the statewide educational system and in the SEA's own internal conduct.

The SEA may have to perform hundreds of identifiable activities, both short-term and long-term, in order to assure that these functions do emerge as the consequences of its efforts. When all functions are achieved, the three-fold mission of the SEA can be pursued successfully: policies and standards can be strengthened; surveillance can be made more complete and constructive; and corrective action can be carried out more authoritatively and rapidly.

Management Processes

To manage its own activities, the SEA—like any other organized enterprise—relies on a set of management processes. These are enumerated and defined below. To a very large extent, the SEA may be said to "manage" the statewide educational system, too; this is the meaning implicit in the first six functions. The management processes are relied upon, therefore, for both "internal SEA management" (over which the SEA's authority is great) and "SEA management of the statewide system" (over which the SEA's authority may be strictly limited).

In the following pages, these management processes are examined. The impact of USOE grants management on them is noted, with reference to (a) internal SEA management and (b) SEA management (or perhaps quasi-management) of the

statewide educational system. In addition, the thought is offered that an SEA's several functions most likely are not all of equal urgency during the 1970s, or at least that SEA activities will not have to be of equal intensity regarding each function. National policies have an effect on this question. If "the name of the game" is in fact some combination of aid to education, educational reform, and social reform, then SEA efforts ought to reflect that new mixture. Accordingly, SEA attention to the statewide educational system—at least for the near future—may concentrate on the SEA's performance of three management processes: budgeting, evaluating (or assessing), and relationship building; justification for this prediction is provided below.

There follows an enumeration of the twelve management processes (for which, obviously, other equally valid terminology might be substituted), after which the processes are examined in terms of the impact which USOE grants management appears to have upon them within SEAs.

ANTICIPATING FUTURES: Systematically considering the conditions and circumstances the agency and the statewide educational system may confront some years hence.

PLANNING: Clarifying or establishing the purposes, goals, and objectives that the agency and the statewide educational system shall pursue during the near future.

PROGRAMMING: Conceiving and elaborating possible means of achieving the stipulated purposes, goals, and objectives.

FINANCING: Deciding on resource requirements, and undertaking to obtain the needed resources.

BUDGETING: Reducing longer range plans, priorities, and policies to detailed plans of operations for the coming fiscal period.

CONTROLLING: Determining that activities are performed as planned, programmed, and budgeted, and that each work plan is executed.

ORGANIZING: Shaping the agency's own structure (a) to conduct its activities and (b) to derive maximum advantage from staff talents, while allowing maximum leeway for staff predispositions. Similarly, shaping the structure of the statewide educational system.

STAFFING: Determining personnel requirements, then recruiting, selecting, developing, and rewarding the personnel actually engaged.

ADMINISTERING: Day-to-day decision making, scheduling, supervising, and coordinating of work, in optimum fulfillment of the planned, programmed, and budgeted activities.

EVALUATING: Measuring and judging the extent to which activities—duly planned, programmed, budgeted, and executed—are achieving the intended purposes, goals, and objectives.

RELATIONSHIP BUILDING: Maintaining a constructive liaison with each of the "publics" of the SEA and of the statewide educational system, and devising or encouraging new arrangements for interdistrict, intergovernmental, and intersector cooperation or coordination of effort.

INSTITUTIONAL DEVELOPMENT: Seeking superior means to resolve operating problems encountered within the activities of "education" broadly conceived.

From a slightly different point of view, this list may be considered as an outline of the matters with which an SEA's management is obligated to concern itself. A minimal statement of these concerns would hold that the SEA must be able to

assess its own needs, define its operational requirements, devise plans of operations, make itself aware of the results of its operations, and compare these results with acknowledged needs. A more complete statement of these concerns would hold that the SEA has identical obligations toward the statewide educational system, as described in this report.

THE IMPACT OF GRANTS MANAGEMENT

There is no test available now for use in assigning grades to an SEA's management, performance, and achievement. If such tests existed, and if careful scorekeeping were completed, an "average SEA" score would be computed. Half the SEAs would score above average, and half of them below average. There would be ample room for improvement, obviously, in at least the "below average" SEAs; there would be room for improvement in all of them, of course, because it seldom occurs that an enterprise earns a perfect score.

The subject at issue is that impact which USOE grants management has on SEAs. Another way to phrase the question is to ask whether USOE grants management tends to raise or lower the agencies' hypothetical "test scores." The depiction of SEA mission, functions, and management processes contained in this chapter is logical, defensible, and internally consistent. To consider "impact" of grants management in terms of effects upon SEA management processes, it is believed, is to provide a fair and reasonable substitute for the scientifically accurate tests which are unavailable. The impact can be adjudged "good" if it tends to make SEAs progressively better in terms of their management, performance, and achievements; impact can be adjudged "bad" to whatever extent it has the opposite effect.

Attention is invited particularly to the fact that each management process identified draws upon other processes and also nourishes other processes within the set. An enterprise which enjoys "good management" may be expected to have all

twelve processes well orchestrated. "Financing" (or fund-raising) and "budgeting," for example, are mutually dependent. "Planning, programming, and budgeting" are—perhaps now notoriously, given recent emphasis on PPB systems—an interrelated set. "Evaluating" (or "assessing") takes the "PPB" trio as a starting point, and its results feed into further planning, programming, and budgeting as well as into "research" and "institutional development," among others. A few, but by no means all, of these feedback or symbiotic relationships are noted below; in order not to turn this into a general treatise on management, much is left unsaid.

Anticipating Futures and Planning

A state education agency is expected to deal with events and to guide events. As a management process, to "anticipate futures" is a requisite both for guiding events and for dealing with the events that occur. An SEA does not control the future of the Nation, the state, or its own endeavors. An SEA does not even have to predict what the future may hold, except in the near term. However, an SEA can scarcely avoid looking ahead in a conjectural sense to future possibilities. In a relatively formal and deliberate way, an SEA might "invent" plausible alternative futures, and it might devise plausible alternative versions of what education might be like some day, perhaps a generation hence. SEA management may consider, with respect to each alternative version of the future, such questions as: What kinds of educational institutions, actions, developments, resources, and policies would exist a generation ahead, if *this* future should become a reality? That future? What actions, policies, and so forth could we generate in order to begin now to move education in this or that direction?

Planning is the management process whereby an SEA establishes or clarifies the purposes, goals, and objectives that it will pursue during a comparatively near future, that is, during the next few years. At the same time that it plans the purposes, goals, and objectives of its own behavior, the SEA presumably is

engaged in clarifying or helping to establish the relatively near-term goals and objectives of the entire statewide educational system.

It is emphasized that, thus defined, planning is a management, not a philosophical process. The "purposes, goals, and objectives" sought are those which govern the institutional behavior of governmental agencies called SEAs and school districts. They are not identical to the purposes or goals of education, individual or societal. The questions at issue in the management process of planning deal with what public agencies and institutions shall seek to accomplish in their own arrangements, to increase the likelihood that individuals will advance their own educational achievements. Hence the goals and objectives sought are not the "behavioral objectives" stipulated by a teacher in a classroom of a school as measures of teaching and learning achievement. Management goals and objectives are intended to create the setting—the school, the teachers, the materials, methods, and curriculum—in which behavioral objectives can be pursued efficaciously.

Also, it is worth noting that planning, when defined as a management process, contains a decision-making ingredient absent in some other activities called "planning." An independent team at a college, a university, a civic association, or elsewhere may engage in planning education and may "adopt" and publish plans. They are perfectly free to do so, and their plans may be so good and compelling that they come to be adopted by others. When planning is performed by management of an enterprise, and when management's plans emerge from the process, however, they inherently bear an authorized and authoritative imprimatur. Independent planners may express purposes, goals, and objectives which they believe a state education agency *ought* to pursue. SEA management's planning results in choices regarding those that *shall* be pursued.

It may be the case that few education agencies now attempt to anticipate futures in a deliberate and systematic way. The point is moot with respect to USOE as it is with

respect to the SEAs. In fairness, it must be said that systematic attention to anticipating futures is rare among the entities which manage the social machinery of the United States. The several phenomena termed USOE grants management therefore, probably are not influential—have little effect pro or con—with respect to anticipating futures within state education agencies.

On the other hand, an SEA's engagement in anticipating futures may have an effect on the way in which it accommodates to USOE's devices and practices. If an SEA does perceive that the name of the game is changing to include "reform," it is bound to be better able to cope with the devices and practices and better able to place those devices and practices in what—for that SEA—is a proper perspective. If an SEA perceives that in one plausible future USOE is changing into a national ministry of education, gradually taking charge of education nationwide, the SEA has some choices to make regarding the way in which it may wish to "cope."

A state education agency may find itself being pulled in several directions at once as it engages in planning. First, the SEA is one executive department of state government. It may be presumed that state government is engaged seriously in planning, and state government's central authorities are attempting seriously to integrate and correlate the efforts of the many departments. The SEA's departmental plans must honor and incorporate state government's policies, priorities, and other mandates. USOE grants management, however, exerts a separate, separately authorized, and possibly very different set of pressures upon the SEA. As is customary for those who try to please two masters, an SEA sometimes finds itself "between the rock and the hard place."

As things stand now, the rate and volume of federal moneys are among the unknown factors contemplated by an SEA engaged in planning. The patterns of USOE behavior in regulating the rate and flow of those moneys also are unknown. Furthermore, these and other aspects of the federal involvement

not only are unknown to the SEA, but also are entirely outside the control of the SEA.

It is easy, in one sense, to dismiss the federal money as being of limited significance: after all, it constitutes "only" about 7 percent of the total education dollar.

When an SEA engages in planning, however, the significance of the federal dollar is immense, with respect to plans for the statewide educational system and to plans for the SEA's own operation. As the SEA plans, it faces a blank space that covers fully 7 percent of the near future, because it does not know and cannot safely predict the amounts, timing, or restrictive nature of such moneys as may be forthcoming from federal sources.

When an SEA plans for its own conduct, moreover, the blank space may be more nearly 50 percent: the federal share of the dollar spent on SEA operations, although it varies among states, often runs to half or more.

The blank spaces contain a potential for disaster, as perceived from the vantage point of an SEA. As it considers the statewide system, even 7 percent can be critical. As it considers its own condition, furthermore, an SEA which depends on federal sources for 50 percent or so of its operating resources cannot undertake seriously or meaningfully to budget for itself without advance knowledge—at least approximate knowledge—of federal intentions. Budgeting, programming, and planning are mutually interdependent. Absence of knowledge about federal funds has a dampening effect on all three processes, therefore.

One regrettable effect of these factors is that a form of Gresham's Law—the good being forced out by the bad—applies. Projects and programs which are generally agreed to have superior merit, but are complicated administratively or otherwise, are in peril of being passed over; preference may be given to projects whose chief merit is simplicity and ease of review, so that something plausible can be "put on the air" to spend the funds available within the time constraints that exist.

Programming, Financing, and Budgeting

Programming is a management process which links plans to budgets and has other implications as well. Planning establishes or clarifies goals to be pursued; programming explores plausible alternative means for pursuing them; budgeting decides specifically what shall be done during a forthcoming period. If there really is more than one way to approach a problem, programming is the process by which management undertakes to learn what the options are.

The process is important for SEA management in deciding what activities the SEA will engage in. It also is important to SEA management in deciding what activities it will try to evoke elsewhere within the statewide educational system. With respect to almost any topic, options can be discovered. To whatever extent recent federal laws regarding education are deemed to call for reform, it is plausible to conclude that the legislation reflects the judgment that the educational system nationwide has not utilized enough options. ESEA Title III, for example, which calls for unspecified "innovation" in education, may be interpreted in this way.

With respect to any topic, a given option may score very high in feasibility, plausibility, or economy when considered within one SEA, one statewide educational system, or one school district. The same option on the same topic may earn a much different score elsewhere. States, localities, school systems, SEAs, and schools differ markedly across the Nation. In one locale, for example, "early childhood education" is understood to refer to toddlers scarcely past infancy, but the same term elsewhere refers to kindergarten; kindergarten itself is regarded as a prime type of innovation in some places, but is standard fare elsewhere.

USOE grants management—and the pertinent legislation also, it must be admitted—contains an inherent tendency to foreclose options, partly by implying that problems and needs are everywhere the same, and partly by stipulating standard treatments of problems and needs. The effect on programming

efforts by an SEA is not constructive in these respects. This conclusion is most important, of course, with reference to those SEAs which can be characterized fairly as "inner-directed," for they are the SEAs which might define problems, redefine problems, and consider a wide range of options; some of their options might very well be superior to those devised at USOE and stipulated for use across the board, nationwide. The effect on programming within a tradition-directed or other-directed SEA is of less consequence, no doubt. If one object of grants management is to upgrade SEAs and move them toward a greater degree of "inner-directedness," the long-range consequence is not conducive to that desirable outcome.

Financing is the process by which a state education agency first determines what the requirements are for financial support, and then seeks the resources needed. An SEA is expected to make this process operate with respect to financing the agency's own activities and—both more importantly and for higher stakes—with respect to fund-raising for activities of the entire statewide educational system. To some extent, of course, this suggests a degree of "politicking" at the state's capitol. To some extent, it suggests endeavors aimed at foundations or other sources of private funding. To some extent—and significantly, for purposes of this report—it suggests endeavors aimed at eliciting the largest possible amounts of money from the U.S. Government, notably the U.S. Office of Education. Financing obviously is one face of a coin, budgeting the other: budgeting, as the design of *proposed* plans of action, stipulates possible estimates of resource requirements; then, during the design and adoption of *approved* plans of action, budgeting allocates the resources which financing has made available.

Grants management at USOE has a significant impact on financing, just as it has on budgeting, at state education agencies. The fact that federal funds are available, of course, is highly constructive *per se*. Grants management, seen as the process by which those funds actually are made available, has an impact which is—unfortunately—often detrimental.

When engaging in financing, an SEA aspires to hold to a broad and comprehensive view of the resource problem. When dealing with grants management at USOE, however, an SEA is constrained to deal with narrow segments—or worse still, with fragments and splinters—of the resource problem.

It is virtually impossible to isolate “blame” or responsibility for the fact that USOE grants management has a negative impact on this process at SEAs. Too many mutually contingent “ifs” are involved. The fact, however, is clear: as things stand, grants management at USOE has a negative impact on various of the management processes at the state education agencies. The reasons lie clouded in a series of circumstances, any one of which may be a primary cause. These include:

1. The categorical nature of Congressional funding provisions.
2. “Set-asides,” or categorical provisions *within* categorical provisions for funding. (Example: 15 percent of ESEA III funds—for innovative endeavors—are “set aside” for projects related to education for the handicapped.)
3. Choices made at USOE regarding its internal management.
4. Choices made at SEAs regarding their internal management.

Management—at USOE and frequently within an SEA—is compartmentalized as thoroughly as the funds in question.

Hence, though it may aspire to hold to the broad and comprehensive view of its resource problem, an SEA may be forced to treat the problem in terms of all the separate and compartmentalized categories of “categorical” and “set aside within categorical” funds administered by USOE: forced to deal with bits and pieces of money; forced to deal separately with a different segment of the USOE organization for each bit; and by these circumstances, forced perhaps to be represented, in those separate dealings, by different segments of its own organization.

Budgeting is a basic, critical, and frequently misunderstood process. Often relegated to the scullery, as it were, on the assumption that it is a task for some technicians in the "business office," budgeting is better viewed as a series of tasks—some of them "fiscal" or partly so—which call for substantive judgments to be made by responsible members of "top management." At a state education agency, budgeting is addressed in two essentially separate respects, as follows:

1. As an executive department of state government, an SEA must develop and execute its own plan of operations for the forthcoming fiscal period, expressed partly in financial terms, indicating which unit of the agency will perform which tasks during that fiscal period, at what costs and to what ends—its own internal operating budget.
2. As state government's intelligence center regarding the statewide educational system, an SEA has the opportunity and obligation to distribute financial resources equitably, intelligently, and purposefully *from* the state's coffers *to* school districts within the state. In the process of distributing such funds (whether of state or federal origin), the SEA plays a role (somewhat idealized here) which is analogous to that of a central budget bureau. It reviews the plans of operation proposed by the several districts, it takes into account the resources available locally, it applies the policies, priorities, standards, and criteria stipulated by state government (federal requirements being incorporated in these), and it makes decisions regarding the plan of operations for the statewide system.

At the risk of being platitudinous, it may be observed that—in both budgeting problems—an SEA invariably is faced by the fact that resources are less abundant than proposed lines of action. Choices must be made among and between "good" things to do. Furthermore, the various "good" things are not mutually exclusive and cannot be substituted one for another. The questions at issue are rarely as simple as "shall we do *this* good thing or *that* one?" More often, the question is

“how much of each of these good things can be done with the resources available?”

The impact on such matters of grants and grants management by USOE is immense, and for several reasons. First, the categorical funding provisions are nearly always the result of politically “balancing” nationwide conditions, needs, priorities, and standards. The sums which come to a specific state, therefore, may be out of balance for that state when viewed against other (state and local) resources available for use in education. Hence the categorical funds—because they impose a “categorical imperative” upon the budgeting process—may cause the final distribution of funds to resemble something a good deal less than a rational, intelligent, priority-based allocation of resources among good things to do in education. In this respect, the impact reduces the sheer credibility of the entire dollar-allocating endeavor, as perceived by the recipient school districts and as perceived by SEA officials themselves. (In an earlier report, under contract with USOE, PAS observed that this effect of categorical funding provisions is not necessarily inevitable, but depends very greatly on the intelligence and skill with which USOE and SEAs develop their respective managerial arrangements for administering the categorical funds; given the present state of the art as observed during this study, however, the impact now is adverse, as described.)

Second, quite apart from the absolute and comparative sums of money made available, each category of categorical resources is “managed” at USOE by an essentially separate and self-contained organizational and administrative unit. In its dealings with SEA personnel, each such USOE unit tends to confirm the impression that its interests and its comprehension are circumscribed to precisely the limits of the categorical provision to which it attends. That is, it appears to be saying to the SEA personnel that any connection or relationship between “its good thing” and any other aspect of education is not pertinent either to the further allocation of the categorical

funds or to their subsequent utilization by the ultimate recipients. In these respects, the grants management impact discourages (even if it does not prevent) the SEA from adopting and acting in accordance with a comprehensive, plan- and priority-based view of the task of allocating and distributing funds to components of the statewide educational system. The impact encourages (even if it does not force) the SEA to isolate and attend separately in all respects to each splinter or segment of a highly compartmentalized view of both the statewide educational system and the task of allocating and distributing funds within that system.

The first two points regarding USOE grants management "impact" on the SEA refer to effects on the SEA's performance vis-a-vis the statewide system. The impact may be seen also in the effects on the SEA's internal management of its own staff, resources, and activities. The impact encourages the SEA to compartmentalize its own staff, creating a mirror image of USOE, into a series of units each of which corresponds to one categorical item of funding. Compartmentalization in this respect is accompanied (as has been observed within USOE) by a proliferation of discrete and dissimilar procedures, forms, reports, and the like, the existence of which makes the correlation or coordination of its own affairs difficult for the SEA top management.

Financing (fund-raising) and budgeting (viewed as fund allocation) are processes which require SEA management to juggle and adjust sets of considerations. Management has planned its goals and objectives, and has programmed the lines of activity it wishes to act on in their pursuit. Management has adjudged, perhaps, at one stage of budgeting, "What would we do during the forthcoming fiscal period *if* we had the money?" During later stages of budgeting, and during the financing process, management constantly reconsiders: What sums of money appear to be genuinely available? How is the use of each sum restricted? Of the lines of activity to which we have assigned high priorities, what are the prospects for getting

earmarked, restricted, categorical funds? What are the prospects for such funds applicable to other lines of work? Where shall we use the anticipated unrestricted funds? What does it appear that we won't be able to do at all, or at only a nominal level of intensity?

These questions are raised with respect to internal operations of the state education agency itself. They are raised with respect to operations of the entire statewide educational system. The answers to such questions are contingent in part upon the judgments (and perhaps the temper) of the state legislature, in part upon those of local school boards or their constituencies, and in part upon those of (a) the Congress of the United States and (b) the U.S. Office of Education. The ability of SEA management to plan, program, and budget with skill and intelligence, accordingly, depends upon (a) SEA management's ability to predict what Congress, the legislature, USOE, and others will choose to do, and upon (b) the good sense and good timing exercised by Congress, USOE, the state legislature, and others in making their several decisions on what to do in providing funds.

With respect to the average statewide educational system, as noted, the federal contribution amounts to "only" 7 percent of the total. With respect to internal operations of a given SEA, however, the federal contribution may constitute half or more of the agency's total resources. In both connections, the sheer tardiness with which funding decisions are made by the federal government has had—and continues to have—an adverse impact upon management at the SEA. The uncertainty and tardiness of federal funding probably has a ricochet effect as well as the obvious direct effect.

They keep the SEA off balance with respect to prospects for federal funding. In addition, the uncertainty and tardiness almost certainly prevent the SEA from developing the most confident or most fruitful approach to the state's budget bureau, legislature, and so forth, to obtain funds; and they almost certainly prevent the SEA from developing the most

confident or fruitful approach to the allocation of those funds which come into sight.

These uncertainties derive from the phenomena of "late funding" by Congress and late allocation by USOE. They also derive from the options for "discretionary" funding which Congress has extended to USOE.

Taken together, these several matters have the effect of reducing—even in a very well-managed state education agency—the probability that all available resources will be utilized in accordance with duly considered and duly established policies, priorities, and standards, either in the SEA's internal management or in the SEA's actions regarding the statewide educational system.

The SEA looks both to the state government and to USOE for funds. A local school district looks to its local board and constituency, to the SEA, and to USOE directly for funds. As with a child wanting to buy some ice cream, there always is the chance that, if one parent declines to put up some money, the other finally will come across—especially if the two parents fail to check signals with each other. Sometimes the child wins, sometimes he loses, and sometimes he gets double dips. State education agencies and local school districts are in analogous situations. They run a risk of getting fewer dollars than they need, at the same time that they stand a chance to get more dollars than they can use.

These circumstances do not derive exclusively from the devices and practices of USOE grants management, certainly. They arise from a combination of factors, all of which are at work simultaneously. In addition to Congressional stipulations and USOE behaviors, these include the management capability of the state education agency, the budgeting and financing arrangements of the parent state government, and the behaviors of the state legislature. The federal influence on the entire set of circumstances is not necessarily the most significant. The federal influence, however, does not necessarily make the circumstances better than they might otherwise be, nor does it

leave them unmodified. On the whole, the federal influence appears to make a difficult set of circumstances more awkward.

The budgeting process—the process whereby a detailed plan of operations is developed—is made disjointed, irregular, and unbalanced within an agency where facts and activities are scarcely susceptible to correlation or coordination. Whether with respect to the budget for its own internal management or with respect to the processes whereby the agency attends to the distribution of funds to other units in the state, the impact of USOE grants management upon the budgeting process at a state education agency has to be adjudged as at least disruptive, perhaps intrusive, and therefore adverse.

Organizing and Staffing

An SEA often is a moderately large and complex department of state government, and, in more than one case, larger than USOE. (There is no particular reason to doubt that some SEAs are managed as well or better than USOE, and the observation is not entirely beside the point in this report.) But, large or small, well or poorly managed, SEAs need to give almost continuous attention—and generally do, consciously or unconsciously, well or poorly—to the management processes of organizing and staffing. As processes, the two are interrelated, and they exhibit similarities in the nature of the impacts of USOE grants management practices upon them.

In organizing, the management of an SEA groups staff members into large and small teams, assigns responsibility and authority to those teams, establishes a “chain of command” for certain purposes and a formal communications network for others, and in other respects purports to structure a usable instrument for its efforts to assure that the statewide educational system also is efficacious social machinery. As a matter of SEA internal management, organizing involves questions of the agency’s own bureaus, divisions, sections, task forces, and the like, of the work assigned to each, and of the structural linkages between and among them. With reference to

the statewide system, organizing involves questions of school districts and their size, scope, and boundaries, the work assigned to each, and the arrangements which connect districts to each other and to colleges, governmental units, community organizations, and the like.

An SEA management utilizes the process of staffing to determine its personnel requirements and to recruit, select, develop, and reward the persons engaged as staff members. It does so within the bounds of state government's established personnel practices as the state's civil service commission, personnel department, or other agency may set these forth. Staff members engaged by the SEA are employees of the state government, often within the state's merit system, occasionally in positions "exempt" from some merit system provisions. Staff members are expected to perform state government's work, under the direction of state government's officers, in accordance with state government's policy decisions.

Impacts Upon Organizing. USOE grants management impinges directly on the SEA's attention to organizing, in ways which—on the whole—are not constructive. The basic reason is the same one cited elsewhere in this report: excessive and excessively literal concern for keeping track of the federal dollar. Federal dollars are drawn from many and separate pigeonholes. This has the effect of splintering an SEA's efforts. The SEA may be organized into a basic set of large and small units. Each unit may be specialized on a basis of geography, clientele, equipment utilized, or some other customary and rational basis for organizing. When an attempt is made to subdivide further—on the basis that each type of federal dollar must be isolated from all other varieties of money—the organizational structure of the SEA becomes compartmentalized: it ceases to be functional, ceases to be well integrated, and ceases to correspond logically to the nature of the total program of operations at issue.

During the study, the phenomenon was observed repeatedly. To illustrate: Here in one division of an SEA are the

agency's "specialists in subject matter, materials, methodologies, and schoolhouse operation." But in a separate unit, other SEA employees administer ESEA Title I funds (emphasis on compensatory education); in another unit, SEA employees administer ESEA Title III funds (emphasis on "innovation"); and in other units, SEA employees administer other parcels of federal funds. Between the SEA's specialists in the substance of education, on the one hand, and the SEA employees who administer "federal programs" of education, on the other, contact, cooperation, and coordination may be conspicuously absent; when contact between them does occur, it may do so *despite* the organizational boundaries which have been constructed between them.

It would be unwarranted to conclude that USOE management desires that SEA organizational structure be contorted into compartments which correspond to pockets of federal funds. The contortions occur, nevertheless, and the conclusion is inescapable that they occur in response to USOE grants management. They are not a necessary response, however, nor even a universal response. What has been depicted as an "inner-directed" state education agency can and in some cases encountered actually does find other and less disruptive ways to respond to USOE grants management.

Effects on Staffing. USOE grants management has marked and serious effects upon staffing within an SEA. Various effects may be noted. Various practices or devices of grants management produce them.

The tendency is for USOE to insist that a direct relationship exist between (a) federal funds made available to the SEA for salaries and (b) the specific individuals whose salaries are paid with such federal funds. Insistence on this point is neither constructive nor necessary; based in a well-founded thought, it is an over-simplified application of a defensible idea. The root idea is clear enough: federal dollars supplied for salaries in connection with stipulated lines of work should be utilized only to cover the costs of services of personnel in those

lines of work. The usual application of this idea, however, produces several undesirable effects, in matters of organization, procedure, and attitude.

First, the insistence on the direct one-to-one relationship between dollar and individual tends to force the SEA to draw a line—often arbitrarily or artificially—between “federal” and “state” work and workers; then it can decide which individuals on the staff shall be regarded as being paid with the two major types of money and with the many categorical subtypes of money. The line of work in question, more often than not, is supported with more than one type of money and, if federal funds were not applicable to it, would be conducted in any case at some level of intensity. To draw the desired line, however, the SEA may find it necessary (or may be convinced that USOE requires it) to divide the work in two parts so that the workers can be clearly separate, “federal” or “state.” In organizational and procedural respects, the result may well be bad management.

Second, such lines having been drawn, the conviction is produced that “federal” staff members within the SEA cannot be permitted to touch any “state” work, lest this be interpreted to be a violation of federal law or regulation. A line of work is not always readily divisible into compartments that contain only full-time, 100 percent assignments, however; imbalances in work load can arise between the two crews of personnel, and the result is poor utilization of staff talents.

Third, by drawing additional lines between one and another source of federal money, the conviction is produced that a given staff member can work only on activities which relate to a specific funding item. For example, a Title I person cannot lend a hand on a Title II task, or indeed, that Title I person cannot operate a Title III typewriter. Often downright ludicrous, the result in this respect is disruptive and insidious.

Fourth, drawing such lines encourages the individual staff member in his conviction that he is somehow an “employee” of the funding item. In extreme cases encountered during the

study, some employees of SEAs have been very explicit on this point. They have wasted no words in making it very clear that they saw themselves as "federal employees" on detached duty, as it were, and they understood that part of their obligation was to be certain that the SEA did not misapply federal funds of the specific type which supported their own personal salaries. Such beliefs are not necessarily held, shared, or encouraged by USOE. They stem directly from USOE grants management, however; and they are detrimental and undesired facets of the impact which USOE grants management has upon SEAs. It does not matter, particularly, whether they represent SEA, USOE, or individual misunderstandings of state/federal relationships.

Many cases recounted to the interviewers during this project support the observations set forth above. In all such cases, at least two points seemed reasonably clear. One: the practices and devices utilized by USOE in grants management invite SEA personnel to attribute "bogey-man" characteristics to USOE, to attribute great rigidity to USOE requirements, to assume that USOE requirements somehow outrank or outweigh state regulations or practices, and to assume that federally funded or federally assisted lines of work are separable and must be separated from other work within the SEA. These several assumptions—not necessarily expressed or insisted on uniformly by USOE officials or staff members—have effects upon staffing within the SEA, and the effects are not constructive. Two: on the other hand, the significance of all such matters is a variable, contingent almost entirely upon the quality of internal management at each state education agency. What have been described earlier as "inner-directed" state education agencies take USOE's various requirements in stride, essentially without contortion, but not necessarily without difficulty.

Controlling: Accounting and Auditing

Controlling is a management process whereby an enterprise assures that its activities are performed as they were planned,

programmed, and budgeted, hence that its work plan is executed properly. To "execute" a budget is to cause the work plan to be carried out. One basic technique for monitoring and controlling the execution of the budget is dependent upon financial accounting. This is the technique in which a financial expression of the plan of operations is recorded in the books of account. *Actual* financial transactions, as they are recorded in the books, are compared automatically against *planned* financial provisions. Marked divergences are signals that planned operations may not be under way as intended.

Controlling—a major part of which is instrumented through financial accounting—has other aspects as well. A state education agency administers resources which are funnelled through it to others, and it administers resources which are made available for its own use. In both cases, the SEA is obligated to maintain records of those resources, because it must account for its stewardship of those public funds. "Stewardship" commonly is considered in terms of fiduciary or fidelity aspects, but it also has a substantive aspect focused on performance and achievement. An SEA must, of course, demonstrate that public funds did not stray improperly into private pockets. An SEA also has to show that it has established rational bases for distributing public resources, and that the distribution responds to matters of equity, pertinent law, and established policies regarding education within its state.

As a department of a state government, an SEA is accountable directly to state government's authorities for its stewardship of public funds and for its performance of assigned duties. Its systems of accounting and related matters must satisfy those state authorities. As a custodian, distributor, and user of federal funds made available via USOE, however, an SEA also holds some obligations to account for its stewardship of funds and duties to USOE and to federal auditing agencies. Its systems of accounting and related matters—prescribed fundamentally by state authorities—do not automatically match the expectations which federal authorities hold for them.

Large and small difficulties ensue from this circumstance—predictably, it may be noted—because the fifty states and their authorities hold to different positions regarding matters of accounting, purchasing, budgeting, custody of funds, payroll preparation, salary scales, and so forth. Authorities in each state government have made different arrangements regarding the location and the limits of various state agencies' responsibilities for such matters.

The SEA's need to satisfy state authorities and state requirements differs in detail from the SEA's needs vis-a-vis federal authorities and federal requirements. Furthermore, these differences in need are found in a general setting in which the question is largely unanswered: Who is accountable to whom for what? In an effort to satisfy both state and federal authorities, predictably, SEAs attach "special" accessories to their basic sets of arrangements. As grants and categorical grant sources have proliferated through the years, of course, so also have the accessories proliferated.

The impact of USOE grants management, in these respects, has been and continues to be disadvantageous for the state education agencies. Each SEA presumably should be a single, self-contained, and well-integrated enterprise, under the firm control and direction of one management. The arrangements for controlling such an enterprise—including its financial accounting and related matters—should be one well-conceived set. As things stand, they are not. At least in substantial part, they are not a single set of arrangements because of the peculiarities of USOE requirements. In part, they stem from SEA perceptions of USOE's requirements, and those perceptions or understandings are not always accurate. Hence it is perfectly fair to observe that the federal influence is only one reason for the difficulties and annoyances which surround accounting and such matters. Other reasons are found in genuine inadequacies of SEA arrangements and in SEA misunderstandings of the facts regarding USOE requirements. Problems in this general area are encountered at various points

in the processes of accounting, purchasing, financial reporting, and the like. They come to a head, in large measure, when an SEA becomes subject to audit.

Any allusion to audits, auditors, or auditing processes evokes a swift reaction from state education agency personnel. The consistency with which this is true, the warmth with which the topic is pursued, and the significance assigned to the topic by SEA personnel all leave little room for doubt whether the general subject of auditing is important to the federal/state relationships regarding grants-in-aid for education. The actual *impact* of auditors, auditing, audit reports, and so forth upon state education agencies is not nearly as clear, however, as the simple fact that auditors and their actions are perceived to be important.

It seems likely that the impact on a state education agency depends very largely on the skill and sophistication of the agency's own management, rather than on the characteristics of auditing *per se*. In one setting, the impact of audits can be highly constructive and positive. In another, the impact may be negative, disruptive, or even adverse. This seems to be independent of the nature of a given audit and its conduct, given the fact that federal auditors do approximately the same things in each setting. It does leave ample room for questions regarding what they do: i.e., if the auditing arrangements hold a capacity for harmful impact on state education agencies, perhaps those arrangements merit reconsideration.

Auditing arrangements follow, but do not often establish, the patterns of operations established for other tasks. That general rule applies in the case of auditing related to U.S. Office of Education grants. Auditing therefore reflects the arrangements which USOE has established regarding grant applications, procedures, forms, reports, standards, criteria, guidelines, and so forth. These arrangements within USOE are numerous, compartmentalized, and varied. USOE administers many pockets of money with which grants or contracts may be made. There is a marked tendency for each pocket to be treated

separately and to require something different during the auditing process.

The variations among pockets of money, as well as the sheer number of pockets, introduce complications into the auditing task as well as into the work of recipients and users of funds from the various pockets. On the one hand, the variability of requirements complicates the work of the recipient and user, increasing the probability of accidental error in the use of money. On the other hand, the facts complicate the work of the auditor, similarly increasing the likelihood of error on his part, e.g.: inadvertently applying to funds from one pocket the rules applicable to another; misinterpreting one of the multitude of such rules; and so forth.

Such complications, and the possibilities they create for error or misunderstanding, appear to be imposed upon the auditing task, generally speaking, and appear not to be natural or inevitable outcomes of that task. As noted, within SEAs the subject of auditing evokes swift, strong reaction, frequently including more than a modicum of resentment. There seems no reason to assume that auditors are more malicious than other persons, nor that federal auditors are more demanding than others. Much of the unpleasantness associated with the auditing task, therefore, seems to stem from other causes and simply to be centered on auditing as a convenient target. The effort to reduce such unpleasantness, accordingly, probably will have to be aimed at the root causes, rather than at the scapegoat.

The question "whose program?" clearly is at issue in connection with the auditing task. When it is assumed that SEA use of funds received from USOE constitutes "state management of federal programs," one kind of flavor or character is lent to the proceedings. When it is assumed that the funds received from USOE constitute "federal support for state programs," quite a different character is given the matter. Neither USOE personnel nor SEA personnel seem to be clear about what the facts are, and it is common to find both assumptions held by members of both groups. The question

"whose program?" is a prime determinant of "whose initiative?" and probably of "whose choice?" Auditors may come to their auditing task with one answer in mind, find SEA personnel with the other answer in their minds, and encounter difficulties or misunderstandings in the audit. Inasmuch as USOE and SEA personnel are not clear about this, a strong-minded auditor probably can have his own way in some cases, if he chances to have a point of view; and there are bound to be cases in which a serious auditor, whether or not he starts out with a point of view, must adopt one so that he can proceed.

If the funds are thought to be for the SEA "to manage federal programs," the USOE guidelines and criteria tend to be seen as orders from a principal to an agent. If the same funds are thought to be "support for state programs," the state's policies, priorities, and plans tend to take precedence. The posture which a state education agency adopts on this matter tends to pervade its entire mode of organization, operation, and thought. It therefore is reflected in the way SEA utilizes money, the way it keeps its books, and the way in which it regards "the federal auditor."

Conflict and dissatisfaction are predictable when the auditor and the SEA audited disagree on this basic matter. The fact that such disagreement is possible has little to do with auditors or their characteristic behaviors. It does have much to do with underlying arrangements for grants management at USOE.

A principal cause of audit-related difficulties is the combination of (a) proliferation and (b) separate administration of the pockets of flow-through funds administered by USOE. This combination is accompanied by a USOE tendency to be direct and literal in the effort to trace each "federal dollar" step by step from point of receipt to point of disbursement. To yield to this tendency would call for something that resembles a separate set of books, a separate business office, and a separate organizational unit within an SEA for each separate item of

federal money received and administered by the SEA.

The symptoms of this basic cause of difficulties have been noted many times. The symptoms are made especially visible by performance of the auditing task, because auditors' questions and audit reports or exceptions are explicit. Being explicit, they pinpoint and underline specific examples of the painful, ludicrous, or exasperating results of defects in the underlying arrangements for management of grants. Example: this file cabinet was paid for with Title XYZ money; why doesn't it contain XYZ records? Example: this typewriter was paid for with XYZ money, and this chair with ABC money; why are they being used by an employee on the PDQ payroll?

Other symptoms are less visibly connected to the phenomena of proliferation and separate administration, but it is likely that they are related. For example, the issuance and revision of forms, guidelines, rules, and criteria are a continuing process; because of the number of pockets of money, it also is a prolific process. The communication linkages of USOE "program" offices (i.e., those which administer pockets of money) and auditing authorities are affected by the number of such emissions and by their changing contents. When an auditor examines an SEA's use of a certain sum of money, there may exist a discrepancy or misunderstanding as to which set of standards, guidelines, and rules was applicable to that sum and when it was applicable. Here is a common complaint: "Our proposal was approved and the money put into use before the guidelines were even drawn. When guidelines were promulgated, it turned out that USOE would no longer fund a proposal such as ours, not any more. Later, the auditors claimed we had done wrong with the money, even though USOE had given us the OK and even though the guidelines had not existed when we committed the money!"

The tendency to be direct and literal in tracing the federal dollar through the state education agency, from entry point to final disbursement, also is related to the separateness which is characteristic in USOE grants management. On the track of a

specific grant, an auditor finds it highly convenient if the goods and services paid for with that grant are clearly and explicitly separate from all other goods and services. If the grant was for a project to be funded on a 60/40 basis (60 percent with one "kind" of money, 40 percent with another), for example, superficially the record seems most clear if every transaction were clearly labelled 60/40 at the outset and duly recorded in the books, 60 percent in one account, 40 percent in another. This kind of specificity and clarity is easiest to accomplish if the staff and resources related to the grant are isolated within the SEA. If the SEA is swayed by the urge to accommodate its affairs to the convenience of the auditors (as the SEA's own employees may perceive the auditors' presumed preferences), it may permit or even insist on such isolation. The compartmentalization found within USOE, when this occurs, turns out to be contagious and is repeated within the SEA.

Insofar as federal auditing of grants is a part of grants management, the impact of grants management upon state education agencies is contingent on the major question of the purposes sought by performance of the auditing task. An audit can be a legal/fiscal matter, concentrated on questions of fidelity in the custody of public funds, as documented in formal records. An audit also can extend further, to "substantive" questions regarding (a) the performance of intended activities and (b) the achievement of intended objectives. The fidelity aspect of auditing is related to the traditional role of the federal auditor, as that role is viewed by state education agency personnel. "Performance" is related to the role of USOE's "management review" teams, as they are viewed by some state education agencies. The HEW Audit Branch, in common with other governmental audit agencies, it seems predictable, also is interested in "achievement" aspects of auditing, as well as the "fidelity" or "performance" aspects.

What may be termed fidelity auditing is much more common, partly because it is more traditional, partly because it is easier. Pressures of several types favor substantive auditing,

however, and it may be presumed that it will gain in importance and frequency as time goes by. The feasibility of substantive auditing appears to be contingent on certain characteristics of the object under scrutiny. It seems likely, for example, that the separateness and compartmentalization of USOE's grants management will be found to hinder substantive audits, not facilitate them. Furthermore, it seems predictable that increased emphasis on substantive auditing may raise some interesting questions about the propriety of federal auditors checking up on the states' performance of "state" programs.

Finally, it must be observed that the general subject of "auditing" merges directly into the general subject of the management process called "evaluating" or "assessing," where it ceases to be regarded properly as an aspect of "controlling." The traditional objects (fiduciary, fidelity, financial) of an auditor's attention are part and parcel of arrangements designed to "control" behaviors and events within an enterprise. But in a substantive audit of performance and achievement, attention is directed very differently. In a substantive or performance audit, questions at issue become inquiries of the following types and may well become embarrassing, even to impeccably honest agencies and officials: Did the agency do the things it was expected or committed to do? How much did it do of each thing? What results were achieved? Did actual results match intended results, and in what respects do they differ? What were the expenditures involved, both in total and per unit of work performed? What were the costs involved per unit of desired results achieved? Were any unintended, dysfunctional results produced? Were any unexpected benefits realized?

The federal audit is regarded in this report as an integral part of grants management by USOE. Federal audit agencies are aware that substantive auditing is constructive and necessary. It is not clear, however: To what extent is it appropriate for federal auditors to perform substantive audits with respect to agencies of state and local governments? Is it a proper task of a federal auditor to sit in judgment on the performance of a state

government? To what extent and under what conditions is it appropriate?

As long as such matters remain unresolved, it seems clear that any effort by federal auditors to make substantive audits of state education agencies will be resented and may be resisted by state officials.

Several possible solutions are visible to the apparent dilemma of how to achieve substantive audits of the SEAs. State governments could perform substantive audits of their own agencies. The federal government could rely upon audits thus performed, without need for the conduct of a separate "federal" audit. If there are states in which the state government's own auditing arrangements—fiduciary or substantive—seem to be inadequate, the federal government could require evidence that an independent, external postaudit of an SEA's books was performed by qualified and certified public accountants. If public accounting firms are considered less than entirely suitable choices to conduct substantive audits, perhaps they could be conducted by members of a new profession called "certified public evaluator," so that an "assessment" of SEA performance can be made by a qualified entity. Colleges, universities, management consulting firms, "think tanks," and others might undertake such tasks. It is conceivable that special "assessment teams" might be assembled from these sources and augmented by qualified persons now engaged in state budget bureaus, state education agencies, and other pertinent governmental units.

The extended length of this discussion will indicate how important an impact USOE grants management has on SEAs in the area of "controlling," with particular reference to accounting and auditing.

Evaluating (and Assessing)

Evaluating may be defined as a management process of measuring and judging the extent to which activities—duly planned, programmed, and budgeted—are executed and are

achieving the intended purposes, goals, and objectives. The results of evaluation, presumably, are fed back into the planning process, where the suitability, feasibility, and validity of each purpose, goal, or objective are periodically reexamined, so that priorities may be altered and past choices reconsidered. To engage in evaluating is an inherent obligation of the management of any organized enterprise, and some form of evaluating takes place, in fact, within every enterprise. The question is not whether to evaluate; the question is whether evaluating is performed consciously, deliberately, rationally, and in fundamentally constructive ways.

A state education agency has two general areas in which to ply its efforts: (1) evaluating the agency's own activities and their outcomes, as a part of internal management of the SEA; and (2) evaluating the management, the performance, and the outcomes of efforts made throughout the statewide educational system by the many schools and school districts. To avoid confusion, it may be well to label the first of these as "evaluating." In accord with a growing trend, the second may be labelled "assessment." The assessment of schools and school districts—in terms of their management, performance, and outcomes—is one of the fundamental obligations of an SEA, acting on behalf of state government. By adopting policies, priorities, standards, and so forth, the state government expresses its intentions, aspirations, and expectations regarding "education" and the outcomes of educational effort throughout the state. The SEA is state government's basic instrument for ascertaining whether the actual state of affairs matches the intended or desired state of affairs.

To assess the outcomes of a school's efforts, for example, an SEA needs to know a great deal about that school, about its characteristics, including characteristics of its community and its clientele, and about past and present levels of observable outcomes. The SEA also needs to know a great deal about other schools, as one basis for intelligent comparisons, predictions, and judgments.

At least two major types of assessment are useful. First, for example, the results of a school's operation during one year can be compared to the same school's corresponding results of previous years. Judgments can be made regarding the question whether the school is holding its own, improving, or deteriorating. Second, with due attention to known characteristics of a particular school, community, and clientele, and with due reliance on accumulated bases for such judgments, it is possible to predict the probable or expected achievements or outcomes of the specific school's operations during a year. Actual outcomes can be compared against predicted outcomes, and it can be adjudged whether the school is doing about as well as expected, better than expected, or more poorly than expected. (This is far different, please note, than a simple comparison of one school against another or against all others.)

The assessment of schools (and conceivably of school districts) thus would consider what a school used to do against what it does now. It also would consider what might be expected to occur at that school as against what does occur there. It would take into account influential variables created by location, by the nature of the community, by the nature of the clientele, or by the nature of the facilities. It would take note of variables created by the school's choices of methods, organization, materials, staffing patterns, and so forth. It would identify the outcomes achieved at the school.

Facts derived from assessment might then be utilized for purposes of research, and the results of such research might then be utilized as bases for further institutional development, that is, for developing superior means to resolve operating problems encountered within schools of specified characteristics. For example, assessment might identify the set of schools in which the measurable, observable outcomes significantly exceed the predicted outcomes of school efforts. Subjected to further research, it might be explored why these evidently "successful" schools are successful. Is it because of their choices on matters of internal organization, staffing,

materials, or methods of instruction? Is their success correlated with level of financial support? Does their success correlate with the presence or absence of racial balance, counseling, food services, health services, corporal punishment, parent and community involvement, and other variables? Is their success simply a lucky accident or—hopefully—an outcome of practices that can be emulated elsewhere?

It may be noted that the foregoing is a somewhat idealized or optimistic statement of what assessment could and perhaps should be. In theory, the state of the art may be up to the task described. The state of the instrumentation and practice of the art, however, is another matter.

USOE grants management encourages and, indeed, forces SEAs to engage in evaluation and, in turn, to require schools and school districts to do so. The impact of such “encouragement” ought logically to be constructive. It is moot, however, whether current attention to evaluation is as constructive as it is intended or as it might be.

As in other matters, USOE attention and effort tend to be compartmentalized. The type of evaluative question pressed upon SEAs is not, “Which characteristics of school and school district operations appear to produce results that exceed expectations?” or, “Which practices of schools and school districts merit emulation elsewhere?” USOE influences encourage SEAs to go down what appear to be blind alleys, such as these: “In the Title I one-on-one reading project among 47 third-graders at the XYZ public school, by how many months did the average child’s reading achievement scores advance during the year?” “Ignoring all other efforts of the same type, how well did the federally financed portion of the SEA’s information system proceed during the past quarter?” Attention is addressed to the use of the categorical federal dollar. “Evaluation” consists of the search for evidence that the categorical dollar yielded a benefit.

Insofar as attention of SEA personnel engaged in evaluation or assessment is funnelled exclusively to the search

for evidence regarding the usefulness of the federal categorical dollar, and given that the total staff available for these exercises is limited, the effect or impact of USOE grants management upon the SEA is fairly simple and direct. It evokes a good many exercises, but it tends to guarantee that efforts in evaluation or assessment will be splintered, not addressed to main issues, and not productive of either useful clues or reliable hard evidence on which to base serious efforts toward institutional development.

These comments, pertinent to SEA assessment efforts within the statewide educational system, are essentially applicable as well to SEA evaluation of its own internal operations.

USOE grants management directs attention to that fraction of operations—whether in classroom, schoolhouse, district, or agency—directly financed by an identifiable grant of federal dollars. Whether the subject is the classroom, schoolhouse, district, or agency, however, the operations worth scrutinizing with care and worth evaluating or assessing carefully are *the total operations* of the organized entity in education. The total operations, in virtually every case, are financed partly by local tax revenues, partly by state tax revenues, and partly by federal categorical funds. If a child learns to read, the whole child's success at reading is related to the whole effort made with that child; it is not a result of that fraction of the effort financed with money from one specific source. The salary of the child's reading teacher may be financed from several sources; it is pointless to try to isolate and evaluate the influence of only the Title III portion of that salary. A given school may utilize experienced, inexperienced, and prospective teachers, plus other employees and visiting mothers. If the resulting ratio of one adult for every ten children should appear to yield good results, some evaluative judgments can be made. Those judgments are more likely to be based on the interesting staffing pattern, however, than on the superiority of Title I money to another kind.

By directing attention to items of money, USOE grants management stimulates—but then it distorts—SEA efforts in evaluation and assessment.

The case here is precisely analogous to that described with reference to the process of controlling and to the component of controlling which relies on auditing. What was described there as “substantive auditing,” addressed to performance and to achievement, has been described here as the essence of the process of evaluating or assessing. Controlling and evaluating, in other words, blend into each other. USOE is appropriately interested in the results of evaluation, under either name. SEAs appropriately may be expected—and may have to be required—to conduct evaluation and assessment efforts. USOE grants management may be utilized to help assure that SEAs do so. At present, however, USOE grants management—however accurate its motivation—encourages a misdirection of SEA efforts. This subject is a critical one, and it is further addressed in connection with the recommendations in this report.

Relationship Building

For its own internal management, a state education agency needs to utilize the management process of relationship-building. Public relations, press relations, and public information efforts are obvious devices. As a department of state government, the SEA—if it prefers not to be starved in the state’s budget—has to keep its fences mended. As a part of the statewide educational system, similarly, the SEA must keep its lines of communication in good working condition. In its effects upon the remainder of the statewide system, furthermore, the SEA has an obligation to make certain that others do likewise.

During recent years and for the foreseeable future, furthermore, the scope and significance of “relationship building” clearly seem to be increasing. This would be true, no doubt, with or without the impetus of national policies embodied in recent federal legislation that pertains to

education. That federal legislation, however, does provide a major impetus that scarcely can be ignored, particularly insofar as it may stem from the intention to reform education or to achieve broad social reform in the United States.

The term "social reform" offers a clue to future requirements for relationship building. Education's machinery is one component of a more complex set of social machinery, but education's share of the mechanism has not always been—and probably is not yet—either (a) internally geared to make the parts mesh, or (b) satisfactorily linked to other major components. Starting decades ago, for example, matters of milk, food, vaccinations, and eye examinations—not just "education"—have been dealt with, sometimes inadequately and clumsily, within the educational machinery. Now it is becoming increasingly evident that the educational machinery is expected to become much more fully and skillfully articulated with the social machinery of government, health care, nutrition, civil liberties, and other broad areas. At the same time, it is being required of education that its component parts—schools and school districts, vocational institutions, institutions of higher education, and others—become better articulated with each other.

USOE grants management apparently has a mixed effect on this process. On the one hand, USOE's words have contributed substantially to the growing understanding of the need for and the reasons for increased articulation within education and for increased articulation of education with others. On the other hand, USOE's practices and devices of grants management appear to link SEAs, for example, very closely to USOE. It is not at all clear that they positively encourage or advance improved linkages between each SEA and other sectors of the social machinery. It may even be the case that an SEA which diligently maintains and nourishes its relationships with the various organizational units of USOE will turn out to be an SEA with little time or inclination to enhance its relationships elsewhere.

USOE AND INSTITUTIONAL DEVELOPMENT OF SEAs

Every enterprise develops patterns and methods of performing its work. Problems are encountered in the work, however, no matter what arrangements are made in terms of structure, staffing, systems and procedures. The processes of planning, programming, and budgeting are used to decide very largely what is to be done by whom, to what extent, and to what end. Evaluating is used to learn what was done, how well, and with what results. Institutional development is the process of utilizing the findings of evaluation, among other starting points, for devising solutions to operating problems. It goes on constantly, in a well-managed enterprise, even though research that is under way simultaneously may lead to the elimination of the line of work in which the operating problems are being encountered.

Within the SEA

USOE grants management impinges on this process in various ways. A good many of the operating problems encountered, in fact, are those which stem from an SEA's efforts to get information about, keep abreast of, comply with, conform to, or otherwise to take into account the many stipulations, guidelines, forms, and reports which originate in USOE, together with all changes and amendments thereto. Personnel at SEAs, it seems, find it necessary to become as knowledgeable and adept as USOE personnel are regarding USOE regulations and practices. They sometimes find it difficult to remain knowledgeable and adept regarding two sets—USOE's and their own state's—methods of operation.

Operating problems and the need for institutional development efforts arise from other matters related to USOE grants management. An SEA may find itself carrying on two remarkably similar lines of activity, one of them state-financed, the other federally supported. The SEA may undertake to rationalize its operations by combining the two components of

work into one well-conceived activity. USOE grants management may make this sensible effort difficult or, except in an extremely well-managed SEA, may make the effort appear to be simply not feasible.

In connection with "programming," USOE grants management contains a tendency to foreclose options. To the extent that the tendency is at work, it has an adverse effect upon institutional development. This is most frequently the case, perhaps, when USOE stipulations purport to prescribe (or are interpreted by SEAs to be prescriptive of) matters of method, procedure, organizational arrangements, staffing patterns, and other such items, in addition to (or instead of) stipulating the results sought.

There is no reason to believe that a given arrangement for accomplishing work will be either good or bad, simply because USOE devises it. There is no reason for belief that "USOE's way" will be either better or worse than the way which an SEA devised for itself. There *is* more than one way to skin a cat. Within a given SEA, however, there is room for only one way at a time to skin any one cat. If the SEA's way to operate a state-financed bit of activity differs from "USOE's way" to operate the federally funded bit of essentially the same line of activity, and if USOE insists on its way, only two possibilities are present, both undesirable: (1) the SEA may alter its own methods, grudgingly, against its better judgment, and perhaps feeling that it has been forced into the action; and (2) the SEA may continue to operate two separate endeavors, one labelled "state" and the other "federal."

The USOE practices of "technical assistance" and "management review" both impinge directly upon the process of institutional development. The former is conceived by USOE as a means to make certain that SEAs learn how to complete the tasks that USOE, in effect, assigns to them with respect to their administration of federal funds. The latter is conceived by USOE as a means to verify that SEAs are performing those tasks satisfactorily. In both cases, if USOE personnel observe the

proprieties of intergovernmental relationships between federal and state agencies, the focus is limited to the tasks and the procedures performed with respect only to the federal funds. SEA management, however, bears the obligation to manage the performance of all activities of the SEA, whether funded by state or federal funds, whether involved with the administration of state or federal moneys. Insofar as the two USOE grants management practices tend to create or perpetuate the dichotomy between an SEA's "state programs" and its "federal programs," their impact on the SEA is divisive rather than integrative, and their impact therefore is not constructive.

To some indeterminate extent—indeterminate because it varies with the managerial capability of the SEA—several USOE practices or devices of grants management call for uniformity among SEAs, not only with respect to ends which are stipulated as matters of national policy, but also with respect to the means to be utilized, all of which may not be so stipulated.

The impact of such devices or practices is harmful, generally speaking, in two notable respects. First, SEAs are executive departments of their parent state governments and are obligated to observe procedural and other requirements of their states. Whenever USOE requirements and state requirements differ, the SEA is forced into an unpleasant and difficult situation, all remedies to which may be unsatisfactory, and from which there can emerge only jerry-built solutions. Second, to some undetermined extent, national policies in education presumably are intended to "reform" SEAs by improving SEA management, capabilities, and performance. To make SEAs uniform will not necessarily be an improvement. To require SEAs to utilize means prescribed by USOE may have an adverse effect. It may give a weak and poorly managed SEA a crutch to lean on. It may reduce the willingness of a well-managed SEA to continue to develop what it perceives to be improvements, but which USOE finds not acceptable because they are not "standard." It may cause an other-directed SEA to become

dependent upon USOE more than upon its own parent state government.

The tendency to provide ready-made solutions to SEAs, and in that way to seek uniformity among SEAs, in short, may work against making the SEAs stronger and better components of the social machinery of education. A really well-managed SEA probably is unscathed by the impact of this tendency—to whatever extent the tendency characterizes USOE grants management—because it knows how to absorb external impacts and accommodate to external requirements. But, of course, to whatever extent “reform” is at issue, the really well-managed SEA is not a target. At least, it should not be.

Within the Statewide System

Quite apart from an SEA's concern for institutional development that affects its own internal management and performance, an SEA has some fundamental interest in seeking analogous efforts toward improvement throughout the statewide educational system. The quest for improvement “out there” usually carries some label other than institutional development, but under any name the same basic interest is at issue: to seek solutions to operating problems. “Experimentation,” “research and development,” “demonstration,” “pilot programs,” and other terms often are applied to efforts of this type.

An SEA may prompt, promote, sponsor, and subsidize developmental efforts carried on by others. An SEA may engage directly in such efforts. When a developmental activity is carried out, with or without SEA participation, an SEA is interested in the test results, in the evaluation of the effort, and in the possibilities for application elsewhere. The evaluation or appraisal of such efforts is the basis for dissemination of information on the matter, for the diffusion and wider adoption of the development, perhaps for adjustments in current lines of research, and perhaps for adjustments in policies, priorities, or standards.

At least, a well-managed and inner-directed state education agency would avow an interest in pursuing the chain of events in this way: from recognition of an operating difficulty or unmet need, through some research and analysis, to some planning and programming, to the budgeted authorization of pilot developmental efforts; and then through a developmental period to evaluation, replication, dissemination, diffusion, and general adoption statewide of tested and proven improvements.

Recalling the statement of the three-part SEA "mission" advanced earlier in this chapter, this chain of events—with institutional development at its center—is one which an SEA would have to utilize in pursuing each phase of its mission: to advise the state government; to ascertain whether conditions in education are as desired; and to assure that deficiencies are corrected.

USOE grants management has an impact on the SEA in connection with this aspect of institutional development within the statewide educational system. The impact is not entirely constructive in its effects, and two reasons may be cited.

First, federal arrangements for funding new lines of activity, or for increased support for old lines of activity, characteristically do *not* provide for or permit "pilot testing" prior to across-the-board implementation. They short-circuit the sequence of actions and events and analyses which yield successful institutional developments. If the federal arrangements—and the choices or convictions on which they are based—happen to be well-conceived and "right," rather than ill-advised or doctrinaire and "wrong," the pace of successful development is accelerated. Right or wrong, however, those arrangements force the SEA into a posture from which the SEA can merely exhort local school districts to do what they are told because they are told; and they put the SEA into a position of launching and advocating actions which the SEA, at the time, may not (or not yet) have any reason to regard as sound.

In fairness to USOE, hastiness and across-the-board

characteristics of federal arrangements affecting education may stem directly from actions of Congress, in the form of legislative mandates and expectations, and not from USOE grants management decisions. To the extent that this is the case, of course, USOE is "innocent" on the charge that it railroads SEAs into precipitate action. On the other hand, just as an SEA's mission includes the provision of advice to state government, it may be assumed that USOE's current mission—ill-defined though it may be—must include the provision of well-founded advice to the Administration and to the Congress. If Congress mandates hasty and across-the-board actions, it may be assumed that it does so either without benefit of USOE's advice or despite USOE's advice. Either way, if this is the case, USOE is not entirely innocent.

Secondly, some of the problems in this general area stem from USOE grants management in connection with USOE allocation of "discretionary" funds. These are moneys which Congress authorizes USOE to allocate directly to local school districts, for example, rather than having USOE allocate them to the states for award by SEAs to the districts. In a case where the SEA is an inept or inert department, perhaps it is necessary and constructive to bypass it. In other cases, however, in the manner alluded to in connection with the budgeting process, it may cause an imbalance within the state. It may conflict with the SEA's plans. It may countermand a decision made previously by the SEA (example: the SEA has declined to fund a school district's proposed project, on grounds XYZ). The effect of USOE's action can be to reduce the authority of the SEA and, at the same time, in some measure to reduce the dignity not only of the SEA but of its parent state government as they are viewed by the district. In such cases, innocence is difficult to claim. Coordination between USOE and the SEA in question could avoid such incidents entirely. The fact that the incidents occur, however, may lend credence to those who conclude that USOE is trying to supplant rather than supplement the performance of SEAs.

It may be observed once again that the difficulties noted, with respect to this aspect of grants management as with respect to others, may stem fundamentally from the ambiguity and uncertainty that surround the federal laws, the federal funds to be made available, and the mission to be performed by USOE. Is the purpose to aid education, reform education, or reform society? Who is responsible for what? Who is to call which shots? Diverse views are held on these matters, and diverse actions ensue, with a wide range of difficulties emerging as the results of USOE grants management.

Institutional Development and Title V, ESEA

Title V authorizes USOE to make funds available to SEAs for use in a wide range of efforts toward overall improvement in SEA management—in the institutional development of SEAs. The use of Title V funds therefore may be presumed to have some impact on all of the management processes of state educational agencies, and it is appropriate to treat the employment of these funds as a “practice” of USOE grants management.

The sheer availability of funds pursuant to Title V has had a marked impact upon each SEA. In large measure, Title V funds account for the fact that, on the average, nearly half of the cost of SEA internal operations is borne by federal funds. On the whole, furthermore, Title V funds have been available without restriction as to their use, notwithstanding the fact that some of the funds have been assigned to special projects under contract to USOE. (The ultimate impact of products or findings which may emerge from those projects is not a question of grants management, of course, and is not discussed here.)

What can be said of the “impact” of Title V on the development of SEAs when Title V is regarded as a grants management device? Recalling earlier discussions, SEAs appear to be classifiable as tradition-, other-, and inner-directed, and the unmistakable sense of that classification scheme is at this point quite clear: some SEAs seem to be well-managed

departments of government, but others do not; some SEAs seem to have a clear sense of mission and direction, but others do not. It can be speculated, but probably not demonstrated, that—viewing it only as a grants management device—the impact of Title V has been to make strong, well-managed, inner-directed SEAs progressively stronger and better managed. The chances seem rather good, however, that the effect on other SEAs—tradition-bound SEAs, poorly managed SEAs, SEAs subservient to USOE—has simply been to make them bigger.

There is irony in this speculation. The irony derives partly from the context depicted in Chapter I, partly from the observations offered elsewhere in this chapter. It is a partial confirmation of the diagnosis that several purposes—purposes that are contrasting, competing, and obscurely understood—underlie the federal laws and federal funding provisions. Elsewhere in this chapter, it is observed that the impact of USOE grants management has adverse effects, because USOE is perhaps overly prescriptive. Now, with reference to Title V, the implication is present that USOE has not been sufficiently prescriptive. Can these apparently contradictory observations be reconciled?

As a matter of fact, they can. If regarded as a law that sets forth a national policy, ESEA Title V appears to say that because SEAs have been examined and found wanting, they are to be strengthened and improved, and federal funds will be available to that end. In short, Title V appears to call for “reform”—for the positive institutional development—of SEAs at the same time that it makes funds available with which to permit reform to take place. On the other hand, the law does not stipulate what is to be changed in the characteristics of SEAs, does not instruct state governments to produce changes in their SEAs, and does not authorize USOE to assume that it has a mandate to prescribe change.

It may be that Title V would have been an admirable vehicle for bringing about “reform” of SEAs, if only it had been

known—back in 1965—what kind of reform was necessary or desirable. Either it was not known then or it was not deemed politic to state it then; in either case it was not stipulated.

This line of speculation leads to interesting conjectures, which may provide further reconciliation of the contradiction noted above. It may be that SEAs really do need to be reformed and that USOE personnel have been accurate in their perception of that need (but the “truth” on these points is not at issue in this report). When measured against the three-fold mission and the major intended outcomes to be sought by SEAs, few SEAs if any can be adjudged to have fulfilled the requirements “completely.” They need “reform” and, it may be conjectured, USOE would like to reform them. Title V—an admirable device for achieving SEA reform—is not available to USOE to use for the purpose. It may be conjectured that USOE has sought to reform the SEAs anyhow, by using devices that are less well suited to the purpose—devices or practices of grants management which include the formidable array of applications, guidelines, stipulations, reports, plans, assurances, and the rest. USOE has undertaken to reform SEAs, as it were, by nibbling at them with minor annoyances, because it is effectively precluded in an intergovernmental context from being more assertive.

Devices and practices such as plan requirements, reporting requirements, and the others are not instruments of reform or of management improvement. *Fundamentally, they are simply arrangements which USOE finds necessary to USOE for USOE's performance of its own work on behalf of its own parent government.* Fundamentally, such devices and practices have little if anything to do with the internal management of USOE's “clients” and grant recipients, such as the state education agencies. *Fundamentally, they have little if anything to do with either an SEA's management or its performance.*

The irony is that USOE, unable to seek to reform SEAs through the use of methods designed for that purpose, appears to have sought to reform them through the use of other means.

The means chosen appear not to have brought about constructive reform. They appear to have produced sources of irritation and dissatisfaction among SEAs. And if the reform of SEAs was necessary—a question not at issue here—that reform is unachieved and presumably still necessary.

SEAs IN THE 1970s

A half dozen years after adoption of the Elementary and Secondary Education Act, it appears that not all of the traditional tasks, duties, or activities of SEAs will retain their old priorities or their presumed utility. At the outset of this chapter, a mission is described for SEAs which is in some ways unlike more traditional views. SEA functions or major intended outcomes are named, and SEA efforts in quest of those outcomes have been discussed in terms of their management processes.

Now it appears that some combination of educational improvement, expansion, and change are in the offing, partly in the name of educational reform and partly in that of social reform. The processes of budgeting, evaluating/assessing, and relationship building, it is suggested below, are likely to gain more prominence within SEAs than they have had before, and are likely to be differently viewed than before.

"Budgeting" in this context refers to the process of determining the plan of operations of the statewide system during each fiscal period, by (a) reviewing the plan of each school district, (b) adjudging the total resource requirements of each school, (c) applying national and state policies and applying priorities, standards, and criteria, and (d) governing the allocation and distribution of state-administered funds—whether derived from state or federal sources—to and within school districts. "Evaluating" or "assessing" in this context refers to the process of measuring and judging the extent to which school or school district activities, in detail and

statewide, are achieving the intended outcomes after they have been duly planned, budgeted, and performed. "Relationship building" in this context refers to the process whereby the activities of schools and school districts are interwoven with the activities of other segments of the social machinery within a state: more specifically, (a) whereby schools and school districts cooperate increasingly with nearby counterparts, (b) whereby schools and school districts cooperate increasingly with colleges, universities, technical institutes, and other types of educational enterprises, and (c) whereby the SEA and other components of the social machinery of education are enabled increasingly to cooperate with elements of city, county, or other government, with community organizations, and with the social mechanisms for improving or achieving adequate health care, employment, housing, equal opportunity, civil liberties, and other ingredients of social reform.

The suggestion that these three processes—budgeting, assessing, and relationship building—will require major attention is based partly on a reading of the national policies set forth in recent federal legislation pertaining to education, notably in the Elementary and Secondary Education Act. The suggestion also derives from the view expressed in this report regarding the mission and functions of state education agencies.

It used to be a comparatively simple ministerial task for an SEA to distribute dollars to the school districts of its state. The dollars in question were a small share, local resources supplying the larger share. That circumstance has been changing, as the local property tax proves insufficient. The dollars could be distributed on the basis of a relatively simple head-count of youngsters in each district, because "equity" was deemed to be achieved on the basis of equal dollars per child in question. Equity also was sought through "equalization" efforts, which took state and local funds into account to provide a statewide "floor" or minimum foundation based on equal dollars per child.

ESEA expresses a national policy which appears to say

that "equity" in educational expenditure is no longer to be measured in terms of "the same number of dollars per child." What is deemed equitable depends on the characteristics of the child, the community whence he comes to the school, and the educational services and activities to which he is exposed. This national policy, which is to be observed by each state government, together with the increased significance of funds distributed from the state to its local districts, seems certain to have a major effect on the "budgeting" duties of state education agencies.

As an SEA undertakes to distribute state and federal funds to the local school districts, formulas based on head-counts, local tax base and tax rates, and other comparatively simple data probably will cease to be sufficient. The "allocation" of money—in contrast with merely its distribution—is a budgetary endeavor that requires attention to the substance of the educational work that has been planned and programmed, to characteristics of the community in which the work is to be performed, and to the substance of educational policies, priorities, standards, and criteria. National policies expressed in such federal laws as ESEA, therefore, appear to make it essential that SEAs reinforce their capabilities for budgeting vis-a-vis the statewide school systems with which they work on behalf of their state governments.

National policies appear likely to call for similar reinforcement of SEA capabilities in the assessment of educational institutions and school districts, and in relationship building both within education and, on behalf of education, with other segments of the social machinery.

A question at issue in the consideration of grants management, therefore, is whether grants management practices and devices of USOE tend to have a constructive and favorable impact upon the existence or the development of suitable capabilities within SEAs.

"Budgeting" for the statewide educational system relates very directly, of course, to the major SEA function of assuring

the distribution of financial and material resources to and within school districts. "Assessing" relates directly to the major function of assuring a rich supply of information and statistics pertinent to education, and is contingent on that supply; it also relates directly to the major function of assuring the performance of educational research, and both draws upon and stimulates research. "Relationship building" relates directly to several of the major functions, but perhaps most notably to that of assuring that technical and professional assistance are made available as needed to schools and school districts; during the 1970s, technical and professional assistance of new types will be required, whether or not they are supplied directly by SEAs or made available thanks to SEA initiative.

The suggestion that SEA efforts during the present decade may have to emphasize these three management processes, rather than some other set, is congruent with the observation that the "name of the game" is in a period of change; that the increased federal involvement or participation in education is inducing the change; and that the change involves not merely increasing federal aid for education but also increasing pressures for reforms in education and for readjustments of the relationships between "education" *per se* and other components of the social machinery of each state and of the Nation.

IV.

Findings and Conclusions

The U.S. Office of Education can be regarded as the federal education agency. Expressed as an equation: USOE is to the federal government and the Congress as an SEA is to its state government and state legislature. With variations of emphasis appropriate to the differences—whatever these may come to be—between the respective obligations and responsibilities of the federal and state governments vis-a-vis organized education, a further parallel can be drawn: the mission, functions, and management processes of the SEAs—discussed in the preceding chapter—presumably are the mission, functions, and management processes of USOE as well. There are differences, of course, both between federal and state governments and in the responsibilities and authority of each type of government for the conduct of organized education. These differences naturally would be reflected by variations of emphasis and specific lines of activity within USOE and SEAs, respectively. But the differing emphases are less impressive than the essential similarities.

All such differences in scope or emphasis notwithstanding, the mission, functions, and management processes previously discussed with respect to SEAs are a useful starting point for reconsidering the matter of grants management at the U.S. Office of Education. They are an essential starting point, in fact.

The ambiguities and uncertainties which surround "grants management" *per se*—as depicted in the chapter on the "context"—are the ambiguities and uncertainties which surround USOE and its relationship to the management of organized education in the United States. If grants management is simply the task of giving away funds with due attention to fiduciary and fidelity considerations, one set of recommendations would be proper. If grants management is not that, however, other conclusions and recommendations are more fitting. In the discussion that follows, "grants management" is both redefined and relocated with respect to its meaning, purpose, and implications.

USOE AND EDUCATIONAL MANAGEMENT

The management obligations of USOE vis-a-vis the nationwide educational system are parallel to—even if less extensive than—those of each SEA vis-a-vis its own state's statewide system. In most of the United States, not even the public schools, let alone the private ones, are wholly owned or operated directly by state government. Even with reference to public education, except in a few cases such as those of Hawaii and Puerto Rico, the SEA therefore confronts a "statewide" but not a "state" educational system. Typically, an SEA's responsibility and authority to "run" the statewide system are strictly limited, and to speak of the SEA's "management" of it is something of an exaggeration. How much of an exaggeration varies from state to state. Generally, however, an SEA "manages" a decentralized statewide educational system.

Similarly, what USOE confronts is not a "national" but a "nationwide" educational system. USOE's responsibility and authority literally to "run" that system presumably remain, as in the past, considerably more limited still than are an SEA's responsibility and authority to run its statewide system. And the nationwide educational system, clearly, is thoroughly decentralized.

Nevertheless, it is accurate to say that USOE's management obligations vis-a-vis the nationwide educational system are parallel to—even *if* less extensive than—those of each SEA vis-a-vis its own statewide system. And it is accurate to say that neither USOE nor the typical SEA bears much resemblance to a “ministry of education” which either would or could “call the shots” for the educational systems they help to manage.

The actual conduct of the great bulk of formally organized and institutionalized educational operations—in schools, colleges, research centers, laboratories, and the rest—is in the hands of entities other than USOE and SEAs. Those other entities—within the thoroughly decentralized statewide and nationwide systems—engage directly in management of those operations; each entity employs the management processes, accordingly, in detailed and direct attention to the particular learning population that it proposes to help become further educated. The federal and state education agencies, in contrast, “manage” those other entities—local school districts, for example—and their operations only at a considerable distance, with far less detailed or direct attention to the participants in education (or, in one sense, the “consumers” of education). Generally speaking, the federal and state agencies “manage” with a light rein. Even in Hawaii, where the public school system is a “state” system, the central headquarters or “agency” portion of the Hawaii Department of Education is a relatively small and compact unit, and the operation of schools is decentralized to school districts.

The management problem posed for the federal and state education agencies is rarely of the type—localized to classroom or schoolhouse—traditionally regarded as “educational.” USOE and SEAs are not called upon, normally, to wrestle with the question of how to arrange for which operations of learning and teaching in a given educational institution. Other people do that. USOE and—more particularly—SEAs confront the more broadly conceived

“systemic” management problems of examination, diagnosis, prescription, and prognosis in education. The actual educational treatment, however, the localized rather than systemic treatment, is in the hands of school district, schoolhouse, and other personnel.

Mission, Functions, and Management Processes

With respect to “mission,” for example, it has been shown that an SEA’s three-part mission derives from its condition as an executive department of its state government: *to advise* that government; *to ascertain* whether that government’s policies and expectations are being satisfied statewide; and *to assure* that unsatisfactory conditions are being corrected. Substitute federal for state, substitute nationwide for statewide, and the mission described is an adequate fit for USOE. Emphasis? Perhaps “advise and ascertain” are more significant for USOE and the federal government, at present, than “assure.” Although neither government does so very directly or very immediately, each state government “runs” education more directly and immediately than does the federal government. A state’s education agency therefore is more free than USOE is—or more clearly empowered than USOE is—to “assure” that others take action to correct unsatisfactory conditions.

In 1950, Public Administration Service delivered to USOE *A Report on an Administrative Survey of the U.S. Office of Education of the Federal Security Agency*. The report includes this passage:

“... the Office suffers from a heavy sense of destiny unrealized. In the 83 years of its existence, it has seldom found the resources at its command equal to its mission as conceived by its staff or by its educational clientele. Even worse, it has been torn at times by doubts as to its major purposes and functions and the means suitable for their performance. In short, the Office has not yet found itself—has not yet developed a clear sense

of direction and laid firm hold of the means of moving toward its objectives.

"The persistent inability of the Office to mobilize the resources necessary to the accomplishment of clearly defined purposes is not unrelated to a major dilemma which has shaped its development. From its inception it has been torn by conflict between an overwhelming sense of the importance of education to the nation and fear of impinging upon traditions of state and local control of education." (PAS, *A Report . . .*, p. 3.)

The "doubts" and "fears" continue to exist, and it probably is to the credit of past and present USOE personnel that this is the case. The "sense of the importance of education to the nation" has persisted. In recent years, the federal government has been increasing both its acknowledgment of that importance and its attention to the educational endeavor. Perhaps the time is at hand to remove the doubts and to relieve the "heavy sense of destiny unrealized." The greater the direct federal involvement in education, the greater becomes the federal government's need for its own education agency.

As the federal education agency, serving and acting on behalf of the federal government within the sector termed education, the mission of USOE appears to be this: *to advise* the federal government with respect to the condition of education and the federal government's own policies and actions pertinent to education; when federal action makes national policies clear, *to ascertain* whether those policies are being effectuated; and, within whatever limits are set (including the limits of "traditions of state and local control of education"), *to assure* that corrective action is taken to give effect to national policies.

With respect to its "functions" or "major intended outcomes" within the statewide educational system, it has been shown that an SEA strives to bring about these six: the emergence of research; the availability of information and

statistics; the distribution of financial and material resources; the access to advice and assistance; regulation and licensing; and special operations and facilities. More complete statements of these functions already have been presented. Substitute federal and nationwide for state and statewide, perhaps delete licensing, and the functions described are, once again, a reasonable fit for USOE. Emphasis? Variations among the SEAs are as great as those between USOE and the SEAs. The seventh function—to bring about its own adept internal management—is entirely applicable to USOE as it is to any other organized enterprise. What may be regarded as an eighth function—to achieve or to demonstrate “leadership”—is an outcome highly prized by USOE and the SEAs alike.

The “management processes” are common to all organized enterprises, no matter what terminology is used to identify and describe the processes. They also “fit” USOE as well as they do the SEAs.

Differences are apparent, of course, between USOE and an assumed “average” SEA. A nationwide scope of attention is not the same as a statewide scope. To distribute 7 or 8 percent of the total available money for education (the case of USOE) is not the same as to distribute 80 percent (the case of the Texas Education Agency among other SEAs). SEAs have substantial parts to play in managing teacher retirement systems, whereas USOE does not. SEAs have substantial parts to play in regulating all of school operations, public and private, statewide, regardless of the sources of the moneys which support those operations; USOE appears to “regulate” only those operations financed with federal funds. A list of differences is easily extended.

Nevertheless, the mission, functions, and management processes “fit” the Office of Education. The mission is a basic guide for agency action. The functions are the basic outcomes to be sought by agency action. The management processes are basic means for deciding how and when to act and to act well.

USOE's Programs: Internal and Nationwide

An agency such as USOE, as it addresses itself to "management" of the nationwide educational system, needs to establish some priorities with respect to the investment of its own efforts, lest its reach exceed its grasp. As Commissioner Marland noted to a House subcommittee on appropriations, "Some of the statistics are indeed staggering: Over 100 [federal funding] programs, involving every level and area of education, affect some 19,000 local school districts, 3,500 colleges and universities including branches, 3,600 postsecondary vocational schools, almost 22,000 lending institutions, and countless other agencies and organizations." (*Office of Education and Related Agencies Appropriations for 1972*, Part I, p. 35.) As USOE and SEAs view those many entities, they have to be aware of still other statistics—those which show over 50 million students and over 2 million teachers in more than 100,000 elementary and secondary schools.

To perform its share of managing the nationwide system described in those "staggering" data, the Office of Education draws on the talents of roughly 2,800 staff members, of all varieties, clerical, technical and professional, or managerial. If USOE's management of the nationwide system required anything remotely approaching direct "supervision" of the elements of the system, obviously, USOE's staff would be spread remarkably thin.

For that matter, USOE's staff would be spread thin if it were divided on the basis that each federal law (whether a policy statement or a funding provision) in education were regarded literally as a separate "program." Commissioner Marland, once again: "... we have over 75 laws and over 100 programs which we are bound by specificity in law to carry out." (*Ibid.*, p. 46.) An average of 28 persons per "program"—if program is so conceived—might be expected to have difficulty in contacting the thousands of agencies and institutions, except perhaps on a bulk mailing basis.

The term "program" (as in "program budget") denotes

and connotes an emphasis on the *substance* of the sector of society dealt with and on the problems encountered, the operations to be conducted, and the outcomes sought. These matters of substance are not necessarily paralleled by one-to-one expression in laws or in appropriations. The 75 laws and 100 funding provisions express national policies and expectations. They also make money available—salary and expense money for USOE's own support, and "flow-through" money in partial support of other components of the educational system. They relate to the substantive aspects of education in diverse ways. They may be seen to relate, therefore, to several sets of "programs." But none of these sets can be deemed fairly to contain 100 or more discrete programs.

First, there are "the Nation's programs" to which all of the 75 laws and 100 funding provisions presumably relate. To the pursuit of these programs, all of the thousands of governments, institutions, and agencies—the federal government and USOE included—make their own contributions. The Nation's programs, in this sense, are partly ancient and honorable, partly of relatively recent vintage. In 1787, the Northwest Ordinance recognized the Nation's educational program in the injunction that "... schools and the means of education shall forever be encouraged." That program is still being carried out. More recently, the original program being observed to have left some gaps, it has been supplemented by the Nation's program to achieve "equal educational opportunity." Commissioner Marland, in enumerating major goals said, "First and foremost, we must continue to promote equal educational opportunity for all children and youth. All barriers must be eliminated—those due to socio-economic status, location, sex, racial and ethnic discrimination, physical and mental handicaps, and other disadvantages." (*Ibid.*, p. 19.) These are not peculiarly "federal" programs. They are "national" programs in the sense that they are societal programs. The federal government and USOE, its executive agency for education, join many other participants and contributors in giving effect to these programs.

Second, there are what properly may be termed "federal programs" related to education. These involve many laws, many funding provisions, and the activities of various agencies of the federal government, but they include most notably the laws, funds, and activities attended to by USOE. The "federal programs" may be thought of as those substantive aspects of education in which the federal government either carries out operations directly (as in the Department of Defense and its worldwide school system), makes financial contributions to educational operations of others (as it does through USOE, OEO, the Department of State, the Department of Agriculture, and federal lending agencies, for example), or otherwise demonstrates its concern for education. All of these, in fact, may be regarded as the federal government's one and only "education program," bits and pieces of which are entrusted to and are attended to by the several agencies.

Third, there are "USOE's programs" in the sense of "programs of USOE operations to be carried out by USOE's 2,800 staff members with the use of USOE's appropriations for salaries and expense." Commissioner Marland testified that "We believe that the federal role in reforming the educational system is to provide leadership and guidance through research, experimentation, development, innovation, demonstration, and teacher education." (*Ibid.*, p. 23.) Those words provide one possible set of labels for the "USOE programs" to be advanced through USOE's activities, that is, six programs: those of research, experimentation, development, innovation, demonstration, and teacher education, respectively. A similar, equally possible and plausible basis for relating USOE's activities to a few major programs is available in the list of "functions" or major intended outcomes: research, information and statistics, distribution of resources, advice and assistance, regulation, and special operations and facilities.

A different possibility for a USOE "program structure" is suggested by the context (described in Chapter I) for grantor/grantee relationships. USOE might be perceived to

conduct just three major programs: one program for providing "federal aid to education"; one for promoting "the reform of U.S. education"; and one for guiding education along lines which promote "social reform in the United States." Other plausible arrays of USOE programs can be devised.

In none of the program arrays suggested, however, does USOE appear to be engaged in more than a handful of major lines of work. The 75 or 100 laws and funding provisions may be seen as embellishments to or conditions and constraints imposed upon that handful.

Within the nationwide educational system, as federal funds flow through USOE to and through SEAs to other entities, a similar circumstance prevails. An SEA's programs are few, and they can be perceived in much the same way as those of USOE. A school district's major programs also are few, but they include activities of instruction, counseling, food services, and other items that are not customarily engaged in by either USOE or SEAs. The federal funds and federal laws—just as they constrain or condition USOE programs—set conditions and constraints upon the programs of state governments, SEAs, and the other institutions and agencies affected.

USOE's Need to Choose

The Office of Education commands the services of 2,800 staff members. It therefore is larger than most SEAs. As compared to all SEAs, it is far more remote from the scene of front-line action, if contact between teacher and student is taken to be "where the action is" in education. As compared to most SEAs, furthermore, USOE is obligated to address itself to the entire spectrum of what constitutes "education." Many SEAs have neither voice nor vote with respect to major segments of postsecondary education, for example, but USOE's duties compel it to extend itself to full coverage. Furthermore, USOE probably possesses less authorization than SEAs to issue instructions to other institutions and agencies within education, although this does not necessarily suggest that USOE wields less

power than SEAs do within education.

Just as in the case of each SEA, therefore, USOE has an inherent problem confronting it: given its 2,800 member staff and its distance from the many thousands of educational institutions and agencies; and given the 75 laws and 100 funding authorizations; and given its three-part mission and six major intended outcomes; USOE still has to pick and choose among all those good things that there are to do *in, to, and for* education, in and for the federal government.

Some of those good things are mandated. USOE's original charge, dating from 1867, is "...to collect statistics and facts...and to diffuse such information..." That probably constitutes a clear mandate for a USOE major effort or program of "information and statistics" and for one of "research" as well. Other laws require the Office to distribute funds to colleges and universities, to (and through) state education agencies, and elsewhere. The combined effect of these dollar distribution requirements may be considered as a mandate for USOE to carry out a "distribution of resources" program.

Beyond that, the Office may make choices among alternatives. There is room for judgment as to what other "mandates" USOE shall consider that its position, the sector called education, and the various laws impose upon it. There also is room for judgment as to how USOE shall respond to such mandates.

The judgment expressed in this report is implicit in the "mission" attributed to USOE and to SEAs alike: to advise their respective governments regarding policy toward education; to ascertain—once those governments have expressed their policies—whether the desired conditions prevail; and to assure that actions are taken to correct such deficiencies as may be encountered.

If the mission stated is accepted as applicable to the Office of Education, USOE has a mandate to equip itself to offer advice to its government. Therefore, for example, it has a mandate to engage in anticipating futures (as that phrase has

been described in an earlier chapter) as one basis for developing advice. Therefore—and notably—it has a mandate to engage in the various activities that make effective the management processes of planning, budgeting, and evaluating, as the Office attends to its role within the nationwide educational system; these are other bases for developing advice.

This can be stated more strongly, in fact, if the suggested definition of USOE's mission is accurate. Even if the federal government provided no funds for the educational system, even if USOE had no grants to be concerned with, the fact is that the federal government does enact policies affecting education. That fact requires USOE to engage in planning and evaluation, grants or no grants.

Funds are supplied by the federal government, however, and USOE does administer substantial portions of them. Within an SEA, management efforts vis-a-vis the statewide system find one compelling focus in the granting of money to local school districts and others. Within USOE, similarly, in its management relationship to the nationwide educational system, efforts find a compelling focus in the granting of money. USOE considers where and how to route each portion of the federal funds which flow through it to others. SEAs consider the same questions with respect to both state *and* federal funds which flow through them. In USOE as in every SEA, some portion of effort is addressed to "fidelity" matters surrounding the transmission, custody, and disposition of the funds. In both cases, however, it should be expected that far larger portions of effort will be addressed—whether in USOE or in the SEAs—to the "substantive" matters: that is, to the educational matters for which the federal and state governments alike have judged to require that they provide funds.

THE DISTRIBUTION OF RESOURCES

The "distribution of resources" has been stipulated as one of

USOE's basic functions or major intended outcomes. What has been termed "grants management" in this report, it will now be shown, is one part—but only one part—of USOE's broad range of varied activities that are intended to evoke the outcome abbreviated as "distribution of resources."

A more complete statement of the intended outcome "distribution of resources" was advanced earlier, with reference to state education agencies. With minor changes, it is adaptable to fit the Office of Education, as follows:

USOE, pursuant to its mission, seeks to bring about several major outcomes within the nationwide educational system. Among other outcomes, USOE seeks to assure that the distribution of financial and material resources is accomplished so that resources are distributed—to and within each educational entity—in amounts and in ways which advance the achievement of stipulated national policies and priorities and which make it feasible for the desired conditions to be met within the nationwide educational system.

Several important points are worth noting. First, insofar as USOE seeks to evoke this outcome, the most significant "educational entities" in question must be regarded as the states themselves. "To and within each educational entity," when regarded from a nationwide vantage point, has to mean "to each state and, within it, to such other educational entities as the state education agency, local school districts, colleges, universities, and others."

Second, insofar as USOE seeks to evoke this outcome, the resources in question are "all" those material and financial resources used in education, whether the source of support is public or private, and whether the governmental source of

public support is local, state, or federal. The point is easily demonstrated. "Equal educational opportunity," for example, is an aspiration of national policy. USOE is obligated to ascertain whether national policy is given effect. Educational opportunity is directly related to the financial and material resources available for education. QED: the Office of Education must consider that the resources in question are "all" resources available in education nationwide, just as a state education agency must so consider them on a statewide basis.

Third, the federal government's input constitutes a small portion of the material and financial resources in question. Certainly the federal share is substantial in magnitude now, but just as certainly it is small in proportion. Certainly the bulk of the federal share is administered and distributed by USOE, but just as certainly the sums which USOE administers are just a part of the federal total.

Fourth, the definition for "distribution of resources" contains no implication that USOE—all alone—bears the burden of seeking to evoke a satisfactory distribution. Each state and each SEA shares the burden. So does each local school district of any size, because the distribution problem is present "to *and within* each educational entity," and every district with more than one school faces the problem—whether or not it is a recipient of ESEA Title I or other federal moneys. Other entities also share the burden. USOE's concern is not an exclusive one.

Fifth, the definition contains no implication that USOE is empowered fully to achieve the desired outcome. The powers of USOE are limited, whether "power" is construed to mean "lawful authority" or "influence." They are limited by law. And, as noted in the 1950 report cited earlier, they are limited by "...fear of impinging upon traditions of state and local control of education."

"Grants Management" Redefined

There are ample reasons for USOE to orient some part of its

activities to "the distribution of resources." Reasons are supplied in the 1867 Act which created the Office: "... the purpose and duties of which shall be to collect statistics and facts ... and to diffuse such information. ..." Reason is supplied in policies enunciated by the Congress in more recent Acts. And, of course, reason is supplied by the fact that USOE must itself distribute significant sums of federal moneys.

With respect to the federal moneys, USOE's concern—in the words of the definition advanced for "distribution of resources"—certainly must be "... that *federal* resources are distributed—to and within each state—in amounts and in ways which advance the achievement of stipulated *national* policies and priorities."

Thus stated, USOE's concern has at least two identifiable parts: (1) a concern to see that federal moneys are distributed efficaciously; and (2) a concern to see that their effects advance national policies and priorities. Recalling an earlier discussion: these two identifiable parts are, respectively, the "fidelity" and "substantive" aspects of USOE's treatment of federal funds entrusted to its stewardship. One part relates to the transmission, custody, and disposition of dollars. The other relates to what happens because dollars are used.

Pursue the point one step further: USOE's concern with "fidelity" matters is limited to precisely those funds entrusted to its stewardship. But USOE's concern with "substantive" matters is not limited in that respect, even though USOE's power, responsibility, and authority over substantive matters may be constrained for other reasons.

Furthermore, whatever USOE's power may be, USOE's concern is relatively unlimited with respect to the question, "What happens in education because dollars are used?" The principal concern is with "what happens in education." The secondary concern is with the number of dollars. "What part of what happens is happening because some of the dollars are supplied by USOE?" This question—if USOE's mission and functions are even approximately as stated in this report—is

neither the principal concern nor the secondary concern of the Office.

These conclusions seem logical and inescapable:

1. To examine the results of investments in education, as those results reflect fulfillment of national policies and priorities, is a primary and basic segment of the tasks assigned to the Office of Education.
2. To distribute federal funds in education is a secondary task assigned to the Office.
3. To gauge the extent to which federally provided funds contributed to observed results is of a third order of importance.

The first item—described as a “primary and basic segment of the tasks” of USOE—is virtually equal to USOE’s total reason for existing. It can be performed by the Office—if it can be performed at all—only if some massive conditions are met. It is contingent, for example, on the availability of ample information and statistics and on the emergence of ample and reliable research. It is contingent on USOE’s adept and persistent exercise of the management processes, notably, those of planning and anticipating futures, evaluating, relationship building, and institutional development.

The second item, in contrast, is correctly described as a secondary task of the Office. It has not been so regarded during the recent past. It is not being so treated at present. Similarly, the third item is described correctly as a tertiary task for USOE, but it is not being so treated at present.

“Grants management,” unfortunately, is essentially the sum of the second and third items—the “secondary” and “tertiary” tasks of the Office of Education, respectively. Apparent logic and relative importance notwithstanding, those tasks clearly consume major shares—possibly the largest single share—of USOE’s attention, efforts, and talents.

A Definition. “Grants management” may be defined as

follows: it is that set of USOE activities used to distribute federal financial resources to others. Grants management may be further described as follows: the activities in question are those directly related to the transmission, custody, and disposition of federal funds distributed to others, to the extent that the stewardship of such funds is entrusted to the Office of Education for such distribution.

A Further Limitation. The transmission, custody, and disposition of funds are essential concerns of those whose efforts are addressed to fidelity and fiduciary aspects of the use of money in public undertakings. They require careful preparation and careful instrumentation, so that money flows only through conduits that are secure and well monitored. Given such conduits and the safeguards which assure fidelity in their use, however, decisions as to amounts and destinations of money are inappropriate to those whose concern it is to see that the conduits work. "Grants management" therefore should exclude considerations of how much, to whom, and for what. Decisions on such matters and consideration of such matters should be the subject of other USOE activities, performed by other teams of Office personnel.

Practices and Devices Reconsidered

Existing practices and devices of grants management are an amalgamation of fidelity and substantive considerations regarding the federal dollar, on an item-by-item basis—that is, grant by grant, per separate funding authorization. Insofar as the practices and devices respond to substantive motives, they concentrate on these questions: "What does the grantee propose to do with the federal dollar?" and "What results are achieved with the federal dollar?" Neither question is answerable, typically, except in incidental respects, unless the federal dollar is the *only* dollar to be utilized by the grantee. If the work of any project were being paid for 100 percent by federal dollars, USOE grants management personnel legitimately could (a) evaluate project results and (b) attribute those results—good

or bad—to their deployment of the federal grant dollar. Any enterprise, major program, or *ad hoc*, one-time project entirely funded through USOE can be so examined.

When federal grant dollars and other dollars are invested jointly, however, in support of a one-time project or an ongoing line of endeavor, the results of the federal grant dollar alone are (a) elusive and difficult to isolate and (b) beside the point. Most of “the action” in organized education is ongoing endeavor, and most of it is supported with a mixture of revenues from local or state, and frequently federal, sources. For most of the action, therefore, the attempt to evaluate results of only the federally supported portion of the action is (a) a matter of only parochial interest, to USOE and perhaps to Congress, (b) an exercise the validity of which is dubious, and (c) essentially a blind alley.

There are ways, of course, to determine whether the federal dollar *per se*, as transmitted through USOE grants, works better than other dollars do in educational endeavors. Let some schools, for example, be established and operated only with federal money (or even with USOE’s own personnel), and let them be entered in a match race against other schools where only “other kinds of money” are used. Comparisons may show whether one kind of money yields “the most for the dollar,” but this is most unlikely. If such comparisons lend themselves to any conclusions, the probability is that “the most for the dollar” is related to the types and qualities of endeavor and treatment in the several schools—that is, to the programs, management, and performance—but that the measure of achievement, accomplishment, or productivity is unrelated to the funding source. If an endeavor is adjudged to be successful or excellent, for example, it matters not a bit whether it was financed locally, privately, or with state and federal grants.

With respect to the substantive aspects, in short, it is fair to say of existing grants management practices and devices that USOE’s reach exceeds its grasp. Grant by grant, attention to substantive matters can be credited as well intentioned. But, on the grant-by-grant basis, it also can be adjudged as too

ambitious, artificial, and narrow; and it greatly expands the volume and frequency of paper work imposed upon both USOE and its grantees, to the real benefit of neither and the occasional annoyance of both.

USOE would be well advised to strip substantive matters away from the practices and devices of grants management, insofar as that is possible. This would benefit grantees and would be in USOE's interest. Impediments to such action are apparent, and they are acknowledged here. The impediments are better classified as political, however, than as procedural, technical, scientific, logical, professional, or educational.

The political impediments, however, are not likely to withstand serious and well-executed efforts to remove them. To remove them is a part of USOE's obligation to give advice to its parent government on matters of federal policies related to education. Questions of "how much do we get for our dollar" and of "are we getting our money's worth" recur regularly in Congressional considerations of grant funds. These questions doubtless nurture and tend to preserve the excessive emphasis on such matters that now prevails in USOE grants management. The Office obviously cannot ignore such questions when they are raised by Congress. It can respond to them in more than one way, however. By themselves, attempts to answer the questions directly—as though good answers were available—probably do not satisfy the questioner, yet they encourage more questions later on of the same variety.

Additional responses can be devised, and should be. For example, the Office can advise the Congress of some basic options available. The efforts of 2,800 USOE staff members can be invested in 2,800 man-years of work. Man-years addressed to sterile exercises are man-years not available for other work. Attempts to evaluate the accomplishment of the federal dollar, as differentiated from any other dollar in education, are (a) sterile and (b) major consumers of man-years. If Congress will forego inquiries on such matters, USOE can undertake more fruitful lines of work. Which work does Congress prefer that

USOE perform? (In the following section of this chapter, still another kind of response is suggested.)

Inherently, fidelity aspects of USOE grants management are *relatively* few and simple, and they can be treated accordingly if substantive matters are stripped away from the practices and devices of grants management. The forms and records of each funding authorization and each grant awarded thereunder need not be complex or voluminous. The transmission, custody, and disposition of funds is a process reducible to a series of transactions and simple transaction documents. The essential financial facts can be recorded in orderly fashion, so that transactions can be reconstructed without resort to memory, and so that a clear trail is left for fidelity audits. Even now, for example, the entire letter of credit operation of USOE—with substantive questions rather thoroughly stripped away from it—is performed by a handful of people in USOE, for all moneys USOE distributes under all funding authorizations. The treatment of allocations, applications, awards, and reports regarding grants under each authorization need not be more troublesome than the letter of credit operation. Not coincidentally, it is apropos to note that criticism and complaints from SEAs generally leave the letter of credit question to one side even when they are harsh about other practices and devices.

These comments are not intended to contain an implied argument in favor of block grants, and they are not contingent on a discontinuation of categorical legislation. No matter how general or categorical the funding provision, fidelity aspects of grants awarded pursuant to such provision can be largely separated from substantive aspects. Grants management—seen as attention to the transmission, custody, and disposition of grant funds—can be made the relatively minor task which logic dictates that it should be within USOE.

ATTENTION TO SUBSTANCE

The Office of Education has some basic obligations. In attention to these, it has to go more than skin deep. It has some other obligations or interests, less pressing ones, which do not impose that demand so insistently. And it has a finite force—now 2,800 people—with which to satisfy all obligations.

Substantive questions of education presumably outweigh and outrank, for USOE purposes, questions of fidelity in the use of federal funds. Fiscal audit, for example, is entirely outside USOE's duties. The letter of credit operation, similarly, might just as easily be outside USOE, whether in HEW or in the Treasury Department.

Nonetheless, fidelity matters and the secondary substantive matters (example: How much good is the federal dollar *per se* doing in education?) are now dominant within USOE, as the Office administers the grant funds entrusted to it. As a result, there are respects in which the Office resembles a large bookkeeping unit, and this result is transmitted to state education agencies which, in turn, also resemble large bookkeeping offices engaged in keeping track of the federal dollar. The resemblance is not flattering.

The Office, in common with the SEAs, has a profound obligation to assemble the information and statistics that permit the condition of education to be depicted and described. USOE and SEAs have the profound obligations to appraise needs that exist within the educational systems thus depicted and described. Nationwide and statewide, the questions at issue are the same. Where are we? How are we? What is wrong where? What is right? What policies need to be pursued? By whom? Who is responsible for what? Who can hold whom accountable for what? What shall be done? What is being done? What has been done? Was it well conceived? How acceptable were its management, performance, and achievements?

Funds are of course involved in these questions. Do those

held to be responsible and accountable for performance and achievement, for example, have the financial means commensurate with their responsibilities? Where performance is deemed good and accomplishments deemed high, what was the unit cost of the achievement? Under what circumstances do dollars make a difference? Are there institutions, school districts, lines of activity which consume dollars without yielding accomplishments? If so, why and what should be done about them? Who can do something about them? Incidentally then, in a given place, what portions of the dollars used are local, state, federal, or other? Less incidentally then, on an overall basis, which portions of the dollars are local, state, federal, or other?

All of these are substantive questions, not fidelity matters. They call for the exercise, at USOE and SEAs, of the twelve management processes in attention to management of the nationwide and statewide educational systems, insofar as the federal and state education agencies are empowered to manage these. And the ability of USOE or SEAs to manage those systems at all is contingent upon the exercise of the management processes by USOE and SEAs in attention to their own internal conduct.

The quest for honesty in the custody and use of funds, while a necessary collateral concern, clearly is a matter of comparative insignificance for USOE when weighed against the substantive outcomes sought by the national public and by local, state, and federal governments in their attention to education. Furthermore, the means for assuring honesty in the custody and use of funds are known and are relatively easy to apply, as the matters of course which they basically are.

In contrast, the substantive questions are answerable only in part and only tentatively. The information and statistics available are not invariably complete or informative, and those that would be most informative are not invariably available. The research is inconclusive, and the choice of research topics is a matter open to debate. Means to anticipate futures are in their

infancy. In the absence of unquestionably reliable research, information, and statistics, uncertainty and unpredictability characterize planning, programming, and budgeting. Organizational arrangements within the educational systems are not necessarily satisfactory: witness the sometimes contradictory arguments for and against district "consolidation" and district "decentralization," for example; and witness the uneasy organizational relationships between and among districts, agencies, governments, institutions, and others. Means for evaluating management, performance, and achievement, accomplishment, or productivity are similarly in their infancy: relationships between and among ends and means, causes and effects, costs and benefits all are debatable; even the question of what *is* a "benefit" is less than a certainty in the sector of society known as education. Some reputable observers believe that the nationwide system of organized education requires radical renovation, from the roots up. If wholesale renovation can be advocated and listened to seriously, few things about education's substance can be certain.

"Humbling" is the term which best fits these facts, and the substantive aspects of education have to be approached accordingly: humbly, gingerly, tentatively. The Office of Education can and must address the substantive aspects, one way or another. With the 2,800 people and their talents available to it, however, the Office can afford neither to spend its efforts on fidelity matters nor to be supremely confident about the substantive ones. The same is true, of course, in each SEA.

More importantly, perhaps, the fact that there are these basic limitations on present ability to be certain of substantive matters is a fact that needs to be made explicit and compelling for members of Congress, state legislatures, and the public. The question whether we are getting "our money's worth" out of the federal dollar, for instance, needs to be acknowledged as an inquiry that fundamentally is unanswerable. If there are valid arguments against categorical funding, for instance, this may be

one of the best: a categorical restriction as to the use of funds suggests a degree of certainty which may not be entirely justified. The same is true of "federal standards" where the assumption is implicit that USOE, on behalf of the federal government, can set proper standards for "innovation." And the same is true of USOE's role in reviewing SEA "plans" pursuant to categorical funding authorizations: there is no particular reason to assume that federal employees are more likely than state employees to have bases for superior judgment on where and how the "chips" should be placed either within an SEA or within its statewide educational system; not less likely, perhaps, but not necessarily more likely.

PRIORITIES FOR USOE ATTENTION

The several limitations on substantive knowledge obviously do not preclude USOE action. To the contrary, they make USOE action imperative. The question is, which lines of action? Ample clues have been offered earlier in this report to pave the way for the conclusions and recommendations to be advanced on this topic.

Evaluation

The highest priority appears to be called for in attention to USOE's several relationships to the management process of evaluation or assessment. This is not to imply that USOE must rush out to evaluate any or all aspects of education. The Office must be concerned with the development of the means for evaluating, together with acceptance of the idea that educational institutions, systems, and agencies have major responsibilities both to perform evaluations and to be objects or targets of evaluative efforts. The means for evaluating are not available widely, and they may still be simply unavailable.

Fortunately, the judgment expressed here appears essentially to coincide with that of the Office and the Congress,

where evaluation now has a high priority. There are strong pressures within or upon USOE, however, as has been noted repeatedly in this report, to address its evaluation efforts to the use of the federal dollar. Those pressures need to be resisted. What needs development is the ability—within USOE and elsewhere—to perform reliable and valid evaluations, appraisals, or assessments of substantive aspects of education, educational enterprises, and educational needs and operations. USOE may develop such means. USOE may encourage, enable, or commission others to develop them. The focus should not be on evaluating the investment of the federal grant dollar, however.

The judgment expressed here may be restated this way: USOE should assign its highest priority for “institutional development” efforts in developing approaches, methods, and instruments for evaluating. Institutional development has been defined here as the search for solution to operational problems. Evaluation is the major operational problem in sight, for USOE and, as indicated previously, probably for SEAs as well.

To develop the art or science of evaluation is not the only facet of the problem for USOE, however. If and when that art or science is developed, a separate question is this: what will USOE itself undertake to evaluate? Would USOE wish or attempt to evaluate the management, performance, and accomplishments of each state education agency, for instance? The question is posed rhetorically here to note that the federal education agency may not be empowered to evaluate each state’s education agency, even if it should wish to do so. The same point was noted with respect to federal auditing agencies (in Chapter III, under the heading “Controlling”) and the interest which those agencies have in both fidelity and substantive audits. As the Office seeks to see that evaluation is developed, accordingly, one part of USOE’s attention appropriately would be devoted to the question, “Who would be expected to evaluate whose work?” With one eye on the intergovernmental proprieties and another on the practical

limits of what can be done by its 2,800 staff members, USOE has some major choices to make.

Perhaps it is the obligation of the Office to concentrate on creating a nationwide attitude which favors evaluative efforts and which includes the expectation that, of course, evaluations must be made and submitted to. Given that attitude or atmosphere, it could become established that USOE, SEAs, school districts, and others have rather clear-cut parts to play, somewhat as follows: (1) each enterprise must evaluate its own operations internally, as a part of its own internal management; (2) each school district must evaluate or assess each of its own schools; (3) SEAs must evaluate or assess each school district within their statewide systems; and (4) each SEA must assess its own statewide educational system as though it were a single large entity.

Given such understandings, given reasonable performance by each entity of its own share in evaluating or assessing, *and* given data on the results, it then could follow that the Office of Education would undertake the huge task of assaying the overall, nationwide results, by proceeding (in the words of its 1867 "charter") "... to collect statistics and facts showing the condition and progress of education in the several States . . . , and to diffuse such information respecting the organization and management of schools and school systems, and methods of teaching, as shall aid the people of the United States in the establishment and maintenance of efficient school systems."

If USOE should decide to adopt that overall task as its own, leaving other parts of evaluation to other entities, it appears that such a decision would (a) observe the proprieties of intergovernmental relations and (b) observe the realities created by the fact of a total work force of 2,800 USOE staff members.

At the same time, USOE could assume an obligation to join with federal auditing agencies—and with SEAs and others—to devise feasible and palatable means to satisfy the requirements for and varied interests in both fidelity audits and substantive audits. To whatever extent USOE, Congress, or

others expect the Office to play a leadership role, this is a task which calls for leadership to be exercised, for auditing is both important and vexing.

Budgeting

Progress in the area of evaluation is central to most other tasks. The budgeting process is chosen here as a case in point, and also as a process of major concern in its own right. The management process of budgeting is being employed when the federal government—or USOE in its government's behalf—adopts patterns for allocating dollars to the states for partial support of their statewide educational systems and of their state education agencies. The budgeting process can be employed well if allocation patterns are the results of study and thought—that is, well-conceived results of anticipating futures, planning, programming, and evaluating. Well or badly, however, budgeting must be employed. All parties concerned would prefer that its use be expert and wise.

The questions at issue are parallel to those raised in connection with evaluation. The constraints on USOE also are parallel to the ones noted in that connection, namely the constraints of a USOE work force of 2,800 and those of intergovernmental relationships and the proprieties thereof. Again, it is a matter of “reach *versus* grasp,” and it reduces to this: Whose budgets will the Office of Education undertake to review, adjudge, amend, and approve or disapprove?

The plausible answers also are parallel to those offered in connection with evaluation. Perhaps it is USOE's task to create a nationwide attitude that favors careful budgeting, that construes budgeting in substantive respects, and that creates the expectation that careful substantive “program” budgeting will be done and reviewed. Perhaps it also is USOE's task to lead the inquiry into “Who will be expected to review and approve whose budgets?”

With its 2,800 staff members, it is not likely that USOE would propose to play the role of “budget bureau” vis-a-vis

what has been termed the "staggering" array of schools, school districts, colleges, universities, state education agencies, and the like. If it is not feasible for the Office to be the budget bureau for all of these, obviously discretion suggests that the Office not attempt the role. The proprieties of intergovernmental relationships suggest the same conclusion. Present practice in USOE grants management, however, comes perilously close to an attempt to be the big budget bureau. It therefore constitutes one reason that grants management is a troublesome aspect of USOE operations.

In developing its overall school system budget, each school district has to review the proposed budgets of its own component schools. In developing funding decisions affecting the statewide educational system, each SEA logically ought to do the same regarding the component school districts of that system. A state government does the same regarding the entire statewide educational system and regarding its own respective state education agency. Chains of command are quite clear on such matters (or they can be made so wherever they may be in doubt), so that none need wonder who reviews whose budget or who can be held accountable subsequently for the execution of the plan of operations which each budget expresses.

At present, USOE appears to be playing the part of budget bureau regarding SEAs, which receive on the average roughly half their support through the Office. A budget is defined as a plan of operations. State government presumably approves the plans of operations of its executive departments, including its executive department of education—the SEA. Grants management, as it stands, puts USOE in competition with state governments with respect to the review and approval of SEA budgets. This fact constitutes a difficulty in existing grants management relationships.

To a lesser extent, USOE may be in the same position regarding budgets of statewide educational systems. State governments have attempted for many years to review school district budgets and to supplement locally produced revenue

resources with other resources. "State aid" or "state foundation program" funding efforts and funding formulas are parts of "budgeting" in these respects, and SEAs act for their state governments in performing the budgeting work at issue. The work involved requires attention to educational and financial needs of local school districts, to the wealth of districts, and to the extent of district efforts to make their wealth available for educational use.

Now state governments and their SEAs have to extend their attention somewhat, because they have federal funds as well as state revenue funds available for use in supplementing local funds. As noted previously, in some cases the state government distributes 80 percent of the funds, so that the "supplement" proves to be the local contribution. The task performed by state governments and their education agencies is essentially unchanged, however, by the fact that 7 or 8 percent of the total funds available for allocation to and within the districts is comprised of federal moneys.

"Equalization" efforts long have been included in state governments' attention to (and SEA performance of) the task of allocating funds from states to their local school districts. Generally, the attempt has been to equalize the number of dollars per student served. Now, however, the meaning of equalization is being given a provocative new twist: a national policy in education is to provide equal educational opportunity, with "opportunity" being measured not simply in terms of access but in terms of performance or achievement; to equalize the number of dollars per student may not accomplish what the policy seeks. Equalization efforts, therefore, now are coming to involve marked differentiations as to the number of dollars required in various settings. The first efforts in the new direction were made by state governments, as it happens, but these efforts are being accelerated as a result of federal legislation.

To satisfy the policy objectives of equalization, particularly giving the term its newer meaning as well as parts of

its original meaning, will require attention to the distribution of all dollars—local, state, or federal—to and within the school districts of a state. The long standing and good faith efforts of state governments and SEAs at “equalization” have not led to formulas or methods for which success or equity can be guaranteed; introduction of a new meaning for equalization complicates the matter and probably means that it will take some time before “sure-fire” techniques will be available.

Federal legislation now sets some parameters for the equalization task. USOE is required to look into the performance of the task and possibly to participate in it, but federal legislation does not guarantee, however, that USOE automatically will be armed with the means for its accomplishment. Neither does it obligate USOE to attempt to relieve the states of the equalization task. What the federal legislation does provide to USOE, on the other hand, is the financial “carrot” and the policy “stick” which it may use to hasten state performance. And the federal funding authorizations provide USOE some funds which it can use for the purpose.

Present grants management practice of USOE tends, however, to center attention upon the federal funds alone, with an implication that the distribution of just those funds will have to accomplish equalization. USOE’s attention to the distribution of those funds, furthermore, tends to put the Office into competition with state governments and with SEAs regarding the basic and broader problem of budgeting—of achieving the desired distribution of all funds—for components of each statewide educational system. This is one major difficulty in existing grants management at USOE.

Evaluation—if developed and instrumented as discussed above—offers a solution to USOE’s problem as it engages in budgeting. Evaluation would yield indications of “. . . the conditions and progress of education” in each locale. Evaluation also would provide USOE the facts it needs “. . . to diffuse such information” on the subject. Evaluation would provide the basis

for making and justifying allocations of federal dollars to the several states. State by state, locale by locale, findings derived from evaluation or assessment efforts would indicate: educational needs, which are expressable in dollar terms; dollar-generating local ability, otherwise known as wealth; and the extent of local and state efforts to generate the dollars needed. Furthermore, the findings derived from evaluation or assessment would indicate the extent and quality of: management; performance; and achievement.

USOE's problem in viewing these matters is to decide how much of which portions of federal funds to allocate to which state, in keeping with national policies. Except as it makes that problem more extensive, USOE need not go beyond that point to decide how much money all told each entity within education ought to have from all sources for all activities. Evaluation would provide to USOE a basis for doing and justifying the first—how much from which federal funding source to which state. Evaluation would provide others with superior bases for doing the second—literally developing, reviewing, and approving detailed budgets of specific educational entities.

The "carrot and stick" both are present. The stick is disclosure through dissemination. The carrot is the federal dollar. USOE's intent is to evoke the outcome in which all dollars are distributed sensibly to and within educational entities in accordance with federal policies. USOE's strategy has to be to learn how to cause that outcome without actually doing all the distribution. The continuing and increasing availability of federal dollars makes the carrot progressively more effective. What USOE needs to master is the ability to apply both carrot and stick skillfully. Little of the sharp criticism and complaint about USOE grants management, at present, has to do with the federal policies to be honored or the dollar amounts allocated by USOE. They have much to do with the extent to which existing practices and devices of grants management "poke the recipient in the eye" by appearing to

intrude upon the recipient's prerogatives, established chain of command, lines of responsibility and accountability, and long-standing patterns of state government's internal operations.

FINAL RECOMMENDATIONS

Recommendations are implicit in what has gone before. Several salient points are singled out here, however, and each is believed to be solidly based in the findings, analysis, and conclusions stated.

The fundamental conclusion is that fidelity aspects of grants management now predominate within the Office of Education, and that this is unfortunate. Substantive matters need to be in the forefront, fidelity aspects well in the background.

The principal substantive concerns are expressed in the terms "evaluation" and "assessment." The evaluation or assessment of performance and of achievement is the basic point of entry into resolution of many educational and managerial problems. To develop means for evaluation—as well as a tolerance for it, or expectation of it—merits the highest operational priority USOE can assign to its own efforts. Insofar as such efforts have been begun by USOE or under USOE commission, support, or encouragement, they should continue. Insofar as they do not yet exist, they should be launched. The efforts at issue, in this respect, are those which address the design, testing, appraisal, development, replication, dissemination, and nationwide application of instruments and techniques for evaluation or assessment. It is important to evaluate "performance" by educational entities. It is more important to evaluate their "achievements, accomplishments, or productivity." It is of collateral importance to evaluate their "management."

Substantive concerns are implicit in considerations of "the federal audit." A fidelity audit is insufficient, and substantive

audits are desirable. Substantive auditing overlaps with or merges into evaluating, however, and raises the same questions of propriety and feasibility noted with respect to evaluation. It may be assumed, therefore, that the development of instruments and techniques for "evaluating" and for "substantive auditing" should take place as one task. Further, it should be assumed that such development will require the skills, knowledge, and experience of a talent pool broader than that required for the present operation of the Office of Education. This area of development is a critical one in several respects: it is where the interests of USOE and federal auditors meet; it is where substantive and fidelity aspects of grants management and, indeed, of education meet; it is where federal and state—or federal, state, and local—responsibilities and prerogatives meet. Perhaps it is fair to label it as the key aspect of intergovernmental relationships in regard to education. It merits treatment that accords with its importance.

Evaluating and substantive auditing—as well as other management processes and policy considerations—will require, consume, and rest upon large amounts of varied information and statistics. For nationwide purposes, USOE is the central collection point. If the material collected is to be useful and to be used, what is generated in each state or other locale must be amenable to standardized treatment at that central collection point. Each state education agency will be a central collection point for statewide purposes, just as each district headquarters will for districtwide purposes. The problem at issue in this respect is not USOE's alone, but merits joint federal, state, and local treatment.

Returning to a theme introduced earlier, the federal involvement in education can be regarded as a matter of federal aid to education, educational reform, and social reform. Each Congressional authorization may be regarded as a separate item in this respect, for some authorizations are clearly oriented to just one of these purposes but other authorizations appear to contain more than one. Therefore each authorization contains

some bases which are essential to the conduct of both evaluations and substantive audits. Therefore USOE would be well advised to examine each authorization, preferably in concert with federal auditing agencies and state education agencies, and to establish with as much clarity as possible what questions are implicit in grants made pursuant to a given authorization. This is one major consideration for the development of audit and evaluation instruments and techniques.

The central thread in all recommendations, conclusions, and findings is that USOE grants management has emphasized what here have been termed the "fidelity" aspects of grants in education, to the detriment of USOE's ability to emphasize the "substantive" aspects. That central idea subsumes a variety of lesser themes which may appropriately be noted again. "Compartmentalization," for example, derives from the emphasis on fidelity matters. Compartmentalization, in turn, leads to the excessive redundancy and artificiality of application forms, report forms, evaluation efforts, guidelines, plan requirements, and so forth. The fact that USOE is compartmentalized tends, in turn, to encourage similar phenomena within state education agencies and other educational entities. The central recommendation here proposes treatment of the central ailment: to strip substantive matters away from fidelity matters; to regard grants management *per se* as essentially the fidelity aspects of the transmission, custody, and disposition of grant funds; and to enable USOE greatly to increase its ability to focus effort and attention on the substance of planning, evaluating, and budgeting. Appropriate treatment of the central problem can be expected to relieve the symptomatic and peripheral difficulties of paper work simplification and related items.

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